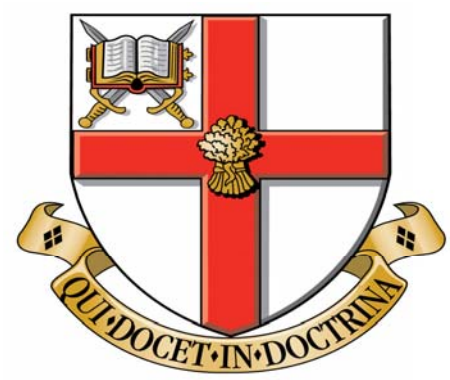

LANGUAGE DEPENDENT BUSINESS PROCESS OUTSOURCING:

A STUDY OF DELIVERY MODELS

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Abstract

Shared services operations are popular operating models delivering non-core activities to their parent companies following several common principles of consolidation, standardisation and leverage of resource, continuously improving best practice and advanced technology across client businesses on a competitive basis charging for services proportionate to their use.

Business process outsource providers are held to the same expectations, whilst primarily driving cost competitiveness through wage arbitrage. The low cost locations are experiencing economic growth.

Particularly for European language dependent transaction processing, the prospect for further wage arbitrage benefits from new locations is limited.

This study investigates how BPO providers might sustain competitiveness, constrained by language dependent wage arbitrage, through new delivery models.

Declaration

This work is original and has not been submitted previously for any academic purpose. All secondary sources are acknowledged.

Signed: _____

Date: _____

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Chapter 1. Introduction

1.1. Background to the Research

This chapter will introduce the reader to the research topic and general structure of the report. The seven sections of this chapter will take the reader through an introduction to the field of study focusing towards the research problem, the research problem itself and several questions to be addressed through the research. This chapter will also include the justification for the research, an overview of the research methodology and the report structure. It will clarify the definition of any words used as necessary and finally summarise the chapter.

This research dissertation focuses on transaction business process outsourcing (BPO) delivery models. The topic occurred to the author in the day to day conduct of business operating a European financial shared services operation and subsequently transferring transactional work to an outsource provider.

Through both primary and secondary data it can be shown that the wage arbitrage benefit achieved in relocating work to lower cost labour markets is both important to a business case and being eroded. This presents a challenge to BPO providers to sustain profitability and remain competitive. The primary data gathered will be used to test a hypothesis regarding the delivery model for BPO providers. The hypothesis will postulate that the threat of benefit erosion can be overcome by the use of common transaction platforms operated by the providers. In doing so transactional BPO will be compared with shared services operations. The hypothesis will also argue that clients are preventing this being achieved by resisting the sharing of resources between a BPO provider's clients.

Responding to the challenge may provide several opportunities to derive competitive advantage for the BPO providers through the leverage of their organisation scale, market size and process and technology capabilities.

This research report will use academic methods, to address this very practical business challenge. It will be relevant to researchers in the field and to business leaders already committed to or considering business process outsourcing and to the BPO service providers.

The report also looks to predict response to current challenges rather than observe a current situation, which will influence the methodology selected.

The merits of outsourcing in comparison to insourcing or re-shoring will not be discussed. However a business reader considering these options for reducing cost may draw some inherent insights, driving refined expectations based on the author's own experience and that considerable experience of the research contributors.

The author has over twelve years experience designing, implementing, operating and outsourcing shared services operations. The author was employed in a business, which is renowned for its shared services organisation and was first in its industry sector to outsource business processes to a third party on a global scale. The author was instrumental in both and is therefore challenged to divorce experience and opinion from academic research. This challenge will influence the methodology for the research.

This research problem may not be relevant to all BPO arrangements, particularly those requiring English language only. Other BPO arrangements may however find the conclusions equally applicable.

The report will focus towards transactional BPO processing work. Knowledge process outsourcing (KPO) will not be considered in this work.

1.2. Research Question

Although the research question arose from experience operating and outsourcing a shared services operation, it has been subject to the rigour of Fisher's (2004) six-stage process for choosing a research topic. The final stage, of which, is to determine the research problem and specific questions to be answered.

Shared services operations have delivered cost benefits through consolidating resource and standardising processes and systems for the users of the services. Business process outsource providers deliver further benefits through wage arbitrage, that is transferring work to lower cost labour markets (although there is some blurring of the benefits of outsourcing with shared services models). Ultimately economic growth in these new labour markets will erode

the wage arbitrage benefits or the practice will be so common as to make those benefits effectively irrelevant. How will BPO providers sustain margins and how will they compete if margins are threatened? If client businesses adopt shared services delivery models with common processes and systems as a best practice with their own internal clients, to what extent can the BPO providers' clients adopt common processes and systems?

Consistent with Fisher's fifth stage, this problem has been discussed with colleagues and other professionals operating shared services, clients in BPO arrangements, BPO providers and advisory practitioners. The discussion has helped shape the research but importantly validate the research problem.

The problem was refined to its current form and the structure of the research instrument influenced by mapping the structure of the issue as per Fisher's fourth stage. Fisher suggests the use of a relevance tree to determine how to link clusters of issues and questions brainstormed at stage 3. The issues surfacing in this research were arranged into five clusters. The first cluster contains the concerns around how and whether BPO margins are being eroded. The next three clusters contained the concerns and ideas on how BPO providers might respond to threatened margins or compete with other BPO providers in regard to people, processes and systems. The final cluster contained the concerns about how receptive client businesses would be to sharing resources with other clients, adopting the BPO providers' processes and systems and considerations as to how services might be charged to the client.

Initially the research was to be conducted as a case study in the author's business supported by collaboration from the outsourcing partner engaged. However, as might be natural, redundancy as a result of a successful outsource prevented this being an option. Consequently in following Fisher's second stage the scope needed redefining. Having developed a strong network of professionals working in client, provider and advisory businesses across Europe, the geographical scope was set to Europe, or more precisely was bound to the demand for European language skills.

The limitation to transaction processes requiring European languages also provides a natural boundary and sets out a problem that might otherwise be ignored if considering global solutions or English language only demands. The constraint is the availability of low cost labour markets offering European language skills. Erosion of wage arbitrage may not in itself be a significant challenge, however should outsource of transactional work continue the provision of services from the low cost markets will be so common that it becomes irrelevant

for BPO providers in terms of competing with each other. Consequently by exploring the issues relevant to European language dependent transaction BPO there maybe some application to other markets beyond Europe in which wage arbitrage benefits are not yet impacted.

The scope is limited to transaction business process outsource arrangements. Knowledge process outsource arrangements are not included in scope. Transaction BPO is the area of personal experience and at least to be included in the known experience of the members of the professional network.

Finally, the first of Fisher's six-stage process for choosing a research topic is selecting the broad topic. As this was relatively straight forward there was no need to employ any of the rational or creative techniques suggested by Saunders et al (2003) with perhaps the exception of examining personal strengths and interests. Nor was it necessary to employ any of the "…*security blankets*…" offered by Jankowicz (2002) as an option in an overall process for choosing a topic, which in comparison to Fisher's (2004) six stage process is more granular in building ideas from almost a blank sheet if necessary through a constructed provenance table to a refined topic. Jankowicz (2002) may take this approach as the text is intended for a broader business audience than Fisher's (2004) business student audience. Fisher's approach may be preferable to those with some initial thoughts as it might be challenging to decompose a reasonably developed idea into Jankowicz's (2002) provenance table.

The critical literature review, in Chapter 2, establishes current thinking and approaches to shared services and transaction BPO delivery models. From this base primary data is gathered via a survey structured around the five clusters of concerns, questions and ideas mentioned above. The population invited to respond to the survey is drawn from a variety of professional networks including client, provider and advisory representatives working in shared services or transaction BPO. The survey is designed to test a hypothesis held regarding potential delivery models for European language dependent BPO. The survey responses are analysed to answer specific research questions and resolve the research problem. The report structure is provided in section 1.5 below.

The clusters are used to derive the following specific research questions.

1. To what extent, if any, has economic growth in lower cost labour markets affected the competitiveness of European language dependent transaction

business process outsource operations?

2. How might process adoption change to drive competitiveness between European language dependent BPO providers?
3. How can resources be best organised to drive competitiveness between European language dependent BPO providers?
4. How might systems best support and drive competitive European language dependent BPO?
5. How receptive would BPO clients be to adopting a standardised European language dependent BPO model on a pay per click basis?

1.3. Justification for the Research

Business Process Outsourcing (BPO) became a very public and political issue in the 2004 USA presidential elections (Click and Duening, 2005) and became both "…*hailed and vilified*…" during that period. During this period outsourcing became synonymous with "*off-shoring*" or relocating work to low cost labour markets.

A Forrester Research report (Brown and Wilson, 2005) predicts 3.4 million jobs will move offshore by 2015. As with much of the literature referenced in the biography Brown and Wilson (2005) focus on US businesses transferring work to English language locations such as India and China. Similarly Farrell et al (2005) refer only to language skills challenges in outsourcing in terms of a lack of English language skills.

In a survey conducted at the 2004 World Outsourcing Summit asking executives to select the top ten motives for outsourcing, lower costs received 49% of the respondents' votes (Corbett, 2004).

Assuming outsourcing is not a strategy applicable only to English speaking countries and that European businesses require European language (Appendix 1) skills to some extent, some portion of work being offshored must be geographically bound to the lower cost labour markets with the necessary available language skills. This assumption is tested in this research. Farrell (2004) recognised that French businesses have more limited access to offshoring or reduced benefits due to higher cost markets providing French language skills.

The European Commission (2006) has found that the proportion of Europeans as a whole speaking a language beyond the five most commonly used European languages is in the lower decile. The proportion of Europeans speaking a non-native language other than the five most commonly used European languages and Russian is in the lowest percentile (Appendix 2). Of the five most commonly used European Languages generally three are also spoken by the lower decile of the population in most countries (Appendix 3) and largely concentrated geographically about the languages' mother countries (Appendix 4). It can be deduced that the availability of comprehensive European language skills is not bountiful across Europe diminishing quickly with distance from the mother country and by extrapolation continue to diminish beyond Europe with obvious exceptions such as countries with Portuguese, Spanish and French for example as the adopted primary language.

The European Commission's Eurostat (2009b) data evidences that Europe's less wealthy nations; for the purpose of discussion those with a gross domestic product (GDP) per capita below the European average (Appendix 5) have comparatively low proportions of language skills with the exception of Malta. The lower wealth countries, those with GDP per capita below the European average, exhibit real GDP growth and inflation rates above the European average (Appendix 5). It can be argued these countries' economies are catching up with the wealthier member states.

Analysing the business process outsource sector against Porter's (1985) basic principles of competitive advantage, it can be argued that any differentiation advantage coming from being a new entrant or first to market provider in the BPO sector no longer exists based on the Forrester Research analysis (Brown and Wilson, 2005). Cost advantage is also diminishing as a competitive advantage for two reasons. Firstly the very economies offering lower cost labour are booming, reducing the cost benefit. Secondly the barriers and advantages to the BPO providers locating in lower cost markets are identical and given time present a "level playing field" for the BPO providers ensuring there is no relative cost advantage between providers based on wage arbitrage. Should BPO providers not wish to follow a focus strategy working wish a narrow scope of clients or narrow scope of offerings, then they must turn to a differentiation strategy.

How can BPO providers differentiate their services? Will they be able to differentiate if they are constrained to using clients' processes and systems?

1.4. Methodology

The methodology used in this research is justified through the literature review in chapter 2 and described in greater detail in chapter 3.

The research follows the positivistic paradigm. Although the author is a member of the shared services and outsourcing community, influence over the domain is very limited, even through compelling discussion with other members of the community. As much as it would boost the ego, this research is unlikely to influence the domain and as such is not in the phenomenological paradigm (Collis and Hussey, 2003).

In the positivistic paradigm the research attempts to objectively observe reality using quantitative data gathering. Consequently survey is a valid methodology for gathering observations on reality.

It is recognised that as the sample population comes from within the shared services and outsourcing domain and is essentially volunteering to participate albeit in response to an invitation to participate. Therefore there is a possibility that the methodological approach may pull towards realist research if responses to a survey contain subjective elements (Fisher, 2004).

As is normal for the positivist research paradigm, this research follows Collis and Hussey's (2003) flow studying the appropriate theory, determining a thesis and testing the thesis using statistical analysis. The existing theory is examined in the literature review of chapter 2, concluding with a conceptual model in section 2.4 providing the basis of the thesis.

The survey is conducted as described in chapter 3, inviting members of the shared services and outsourcing community from BPO providers, clients, advisory and informed observers to respond to the survey distributed via the World Wide Web.
The data gathered through the survey is analysed in chapter 4 to test the theory and specifically answer the research questions and resolve the research problem discussed in section 1.2.

1.5. Outline of the Chapters

The dissertation structure follows that defined by Page (2005) in alignment with the traditional structure presented by Fisher (2004).

Each chapter opens with an introduction and closes with a summary.

Chapter one introduces the research topic and defines some specific questions to resolve a problem. A justification is provided to demonstrate the need for the research. The methodology followed is also introduced. Following this description of the chapters definitions are provided for some terminology used.

Chapter two discusses the parent fields of the study and reviews literature to establish current theory. Through the literature survey the specific research questions are restated as discrete hypotheses to be tested. Chapter two concludes with the conceptual model, graphically representing the theory built during the chapter.

Chapter three provides a more detailed description of the research methodology introduced in chapter one. Not only is the selected methodology justified, other methodologies or methods considered and rejected are discussed. The design of the research survey, its execution and ethical considerations are described.

Chapter four presents the analysed results of the research without drawing any inference, generalisation of conclusions.

Chapter five reviews the findings of chapter four against the specific hypotheses, determining the generalisations that can be made. Finally chapter five draws conclusions towards resolving the research problem.

1.6. Definitions

1.6.1. Shared services

"*The concentration of company resources performing like activities, typically spread across the organisation, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value*" (Schulman et al, 1999).

1.6.2. Offshoring

The Hackett Group (2007) defines offshoring as "…*the movement of onshore business processes to another country (generally with low-cost labour)*…".

1.6.3. Outsourcing

The Hackett Group (2007) defines outsourcing "…*in its usual corporate context, to be the practice of transferring an organisational function or activity to a third party*…".
For the simplicity of writing and so as not to confuse the reader, following the lead of Quinn et al (2000), Autor et al (2003), Grossman and Helpman (2003), Read (2003), Corbett (2004), Click and Duening (2005), Baldwin (2006), Dunn (2006), Grossman and Rossi-Hansberg (2006a), Grossman and Rossi-Hansberg (2006b) and The Hackett Group (2007) the term "outsourcing" throughout this report includes "offshoring" unless specifically stated. The reverse implication that offshoring includes outsourcing is not assumed nor used.

1.6.4. Wage Arbitrage

Wage arbitrage is the creation of financial benefits achieved by replacing labour with lower cost labour.

1.6.5. Transaction Process

Aguirre et al (1998) provide a description and operational philosophy for transaction process activities and to clarify by means of contrast, describe expert and strategic activities (Table 1).

Types of Services			
	Transaction Based	Expert Based	Strategy Based
Description	Routine, repetitive activities, often transactional in nature Scale Intensive.	Activities requiring specialized or technical knowledge Some degree of customization required by businesses	Activities requiring business-specific knowledge or enterprise wide perspective Strong upside for effective decisions Policy oriented
Examples	Payroll Accounts Receivable Benefits Administration Data-centre Processing	Law Tax Compensation Design Benefits Policy Development	Strategic Planning Market Research Sales Succession Planning
Operating Philosophy	Managed like a "utility" for lowest cost and scale Flat organization with broad control spans Processes designed to be executed with minimum expertise Rewarded for efficiency and productivity	Managed to maximize value provided to the business Team-based organization Staffed with creative, innovative thinkers Rewarded for time to market, business impact and value creation	Managed to maximize value provided to the business Small teams or individual contributors Staffed with creative, innovative thinkers Rewarded for value creation

Table 1 Types of Services (Aquirre et al, 1998)

1.7. Summary

Chapter one has introduced the research problem and the specific research questions to be answered in resolving the problem. The research has been justified and an overview of the methodology provided. The structure of the report has been outlined and key definitions given. With this grounding the dissertation will proceed with establishing current theory and a detailed description of the research.

Chapter 2. Literature Review

2.1. Introduction

This chapter will critically review the existing body of knowledge or theory for the research problem regarding potential delivery models for language dependent transaction business process outsourcing. Following the positivistic paradigm, introduced in section 1.4 and described in detail in chapter 3, the literature review will build a theory supported graphically by a conceptual model and hypotheses, which can be tested to answer the specific research questions of section 1.2 and resolve the research problem.

2.2. Parent Disciplines/Fields

2.2.1. The Industrial Model

The parent discipline for this research originates with a seminal work from two centuries ago. The industrialisation model was introduced by Smith (1776). He observed that activities are best executed in proximity to other activities in a process. However as demand for an activity rises, specialisation in the activity or "…*division of labour*…" presents productivity gains by concentrating specific activities into specialist operations. Where the market demand for an activity is sufficient, there will be economies of scale benefits from the industrialisation model. Smith illustrates his idea with the suggestion that ten men working together, but each performing a specific task in the manufacture of middle size pins, might produce forty-eight thousand pins in a day. Working independently, completing all aspects of manufacturing the pins, they may not even complete twenty pins in the same time.

Smith (1776) proposes that increasing demand in a particular geography creates the tipping point at which it is more economical for the specialist to exist and trade the specialist services or products.

The concept of scale of activities allowing for the leverage of enabling technology is also introduced. Albeit in Smith's (1776) day the technology leveraged might be the use of a

sailing ship to move goods between London and Edinburgh rather than the outdating use of a horse and cart. Smith (1776) estimates in his example the sailing ship might be fifty more time productive that a cart and team of eight horses. The benefits potential increase as demand increases.

Although Smith's (1776) work contains little in terms of quantitative analysis, his observational research hits upon the fundamental industrialisation idea that division of labour augments productivity and thereby reduces cost.

2.2.2. Industrialisation through Shared Services

Although not specifically coining the phrase "shared services", Porter (1980) links the sharing of operations or functions as a means to achieve economies of scale, to overcoming barriers to competition.

Aguirre et al (1998) associate the birth of the shared services model with the dismantling of large corporate headquarters during the 1980s. Rather than being a direct result, the shared services model arose from the negative aspects of creating autonomous decentralised business divisions, the shared services model emerged in the 1990s to recover the corporation's "…*lost economies of scale resulting in redundant resources, operating facilities, information systems and supplier contracts*…", by concentrating specific activities into specialist operations.

2.2.3. Industrialisation through Outsourcing

Johnson and Scholes (2002) position outsourcing as a means of raising strategic capability by acquiring expertise externally. It is argued that this enables the organisation to focus on its core competencies. In discussing key points for consideration such as not outsourcing activities that contribute to competitive advantage, Johnson and Scholes (2002) also discuss the organisational implications associated with outsourcing. Specifically the management of the supplier's activities must be determined on the continuum from one extreme of managing the tasks of the supplier for example by integration into enterprise systems, to the other extreme of social management based on accepted norms and behaviours allowing the supplier a high degree of creative input.

2.2.4. Reengineering the Corporation

Johnson and Scholes (2002) organisational implications are akin to Smith's (1776) observation that the design of a process requires (geographical) proximity and communication implies physical travel, which might be interpreted to mean cost is increased as aspects of a process move along the continuum from proximity to remoteness.

The organisational implications of outsourcing are characterised as time spent managing control, performance and disputes (Daft, 2007), which again can be translated into additional management cost introduced directly as a result of moving to a virtual network organisation structure.

Similarly Hammer and Champy (2001) propose the principle of involving as few people in the performance of a process as possible, reducing handoffs and integration points to a minimum. Rather than concentrating activities into specialist operations it is argued that greater benefits are achieved through vertical integration of activities from specialist operations into fewer groups with broader accountabilities for process performance. Hammer and Champy (2001) add a requirement that as more activities are provided from fewer groups, the processes must offer multiple versions of the process, allowing for different markets, situations or inputs, but maintaining the same economies of scale. Very simply operations should handle as much of the end-to-end process as possible, be versatile to the differing needs of the enterprise and sustain lower costs through excellent process design and leveraging appropriate technology. On this final point Hammer and Champy (2001) criticise the simplistic overlaying of technology over old ways of doing things as very little is achieved by this. It is stressed that technology should contribute to a reengineering from a fundamental[1] position, at a radical[2] level achieving dramatic[3] improvements to an end-to-end process.

2.2.5. Competitive Advantage

In justifying this research it is asserted that business process outsource (BPO) providers cost leadership advantage will be eroded by two factors. The first factor to be researched is the

[1] Why we are doing what we are doing (Hammer and Champy, 2001)

[2] Deep rooted reinvention (Hammer and Champy, 2001)

[3] Not marginal or incremental, but rather quantum leaps in performance (Hammer and Champy, 2001)

erosion of wage arbitrage benefits caused by economic growth in low cost labour markets that have reached their geographical boundaries in terms of delivering services requiring European languages. The second factor is Porter's (1985) competitive force of rivalry among existing firms. This in practical terms will be the commonality and similarity of BPO providers' offerings from the same geographies (and therefore cost base).

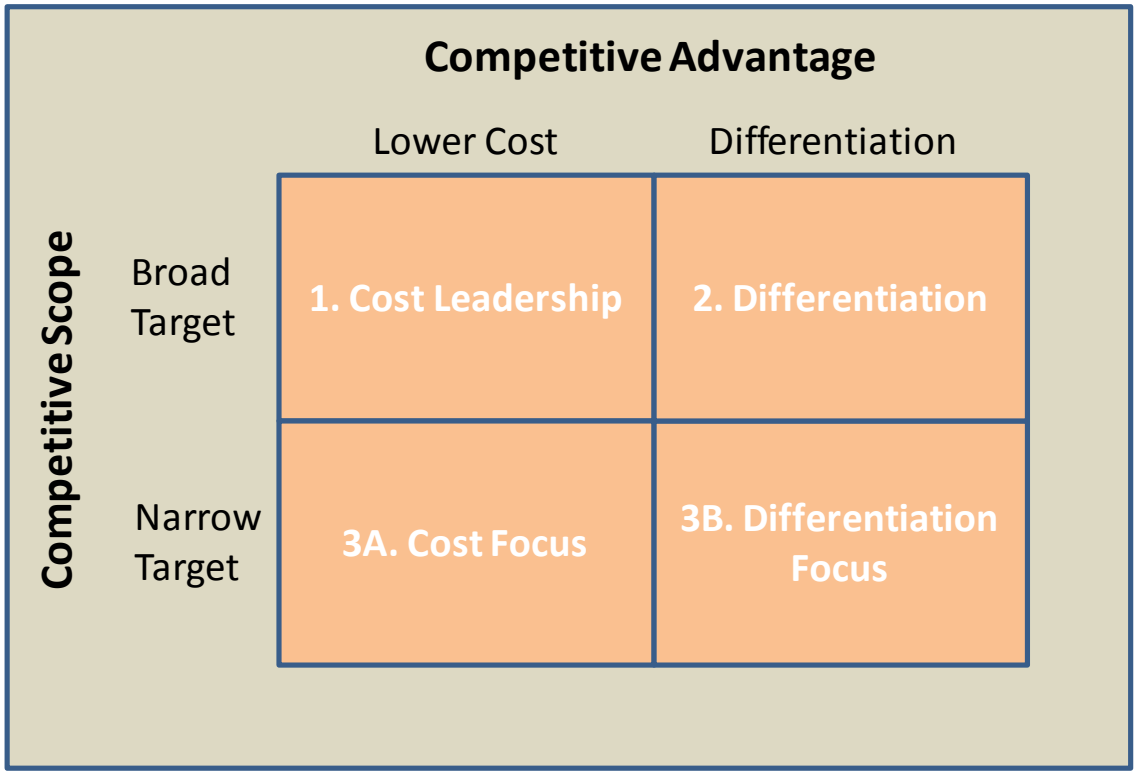


Figure 1 Generic Competitive Strategies (Porter, 1985)

In the absence of or with diminishing cost leadership, BPO providers may seek advantage from differentiation or focus on niche customers, sectors or services (Figure 1).
The cost of differentiation can be reduced through sharing of activities in the value chain or supporting the value chain (Porter, 1985). The costs Porter (1985) refers to, similar to those discussed by Daft (2007) and Hammer and Champy (2001), are the cost of coordination, the cost of compromise and the cost of inflexibility. Sharing of the activities can only reduce the differentiation costs if sharing creates scale, leads to learning advantages or improves the long term pattern of utilisation.

2.3. Main theme, analytical models and applicability to research questions

2.3.1. Shared services

In terms of academia the advent of the shared services can be dated in the early 1990s in its absence from Mintzberg's (1989) organisational configurations. He suggests many staff services could be bought from external suppliers, in the machine organisation, but this is prevented by an obsession with control. It is characterised with sharp divisions of labour and high degrees of standardisation driven by a techno structure remote from the middle line operation. There are inherent costs of communication between much specialised functions. The diversified organisation is a natural maturing step from the machine organisation (Mintzberg, 1989), in which autonomous divisions are established across which, outputs are standardised but not processes or systems. Sharing of resources appears only in Mintzberg's (1989) professional organisation.

The shared services delivery model was born of a reaction to the economies of scale lost to Mintzberg's (1989) diversified organisation's autonomous divisions (Aquirre et al, 1998). The model delivers corporate support services, previously provided from head quarters and from business units, from a separate entity (Figure 2). The entity becomes almost autonomous being managed as a supplier, competitive both on price and service level.

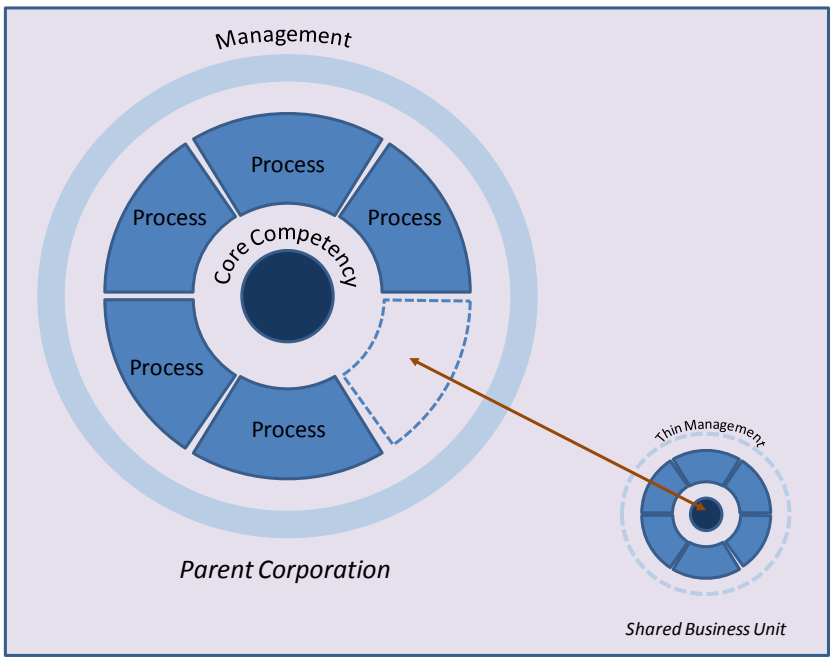


Figure 2 Shared Services Semi-Autonomous Entity (Bergeron, 2003)

Schulman et al (1999) do not link the emergence of shared services to any particular organisation structure, but rather characterise the model as taking the best elements of both the centralised organisation and the decentralised organisation (Figure 3). Similarly shared services is defined as "…the concentration of company resources performing like activities, typically spread across the organisation, in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value.".

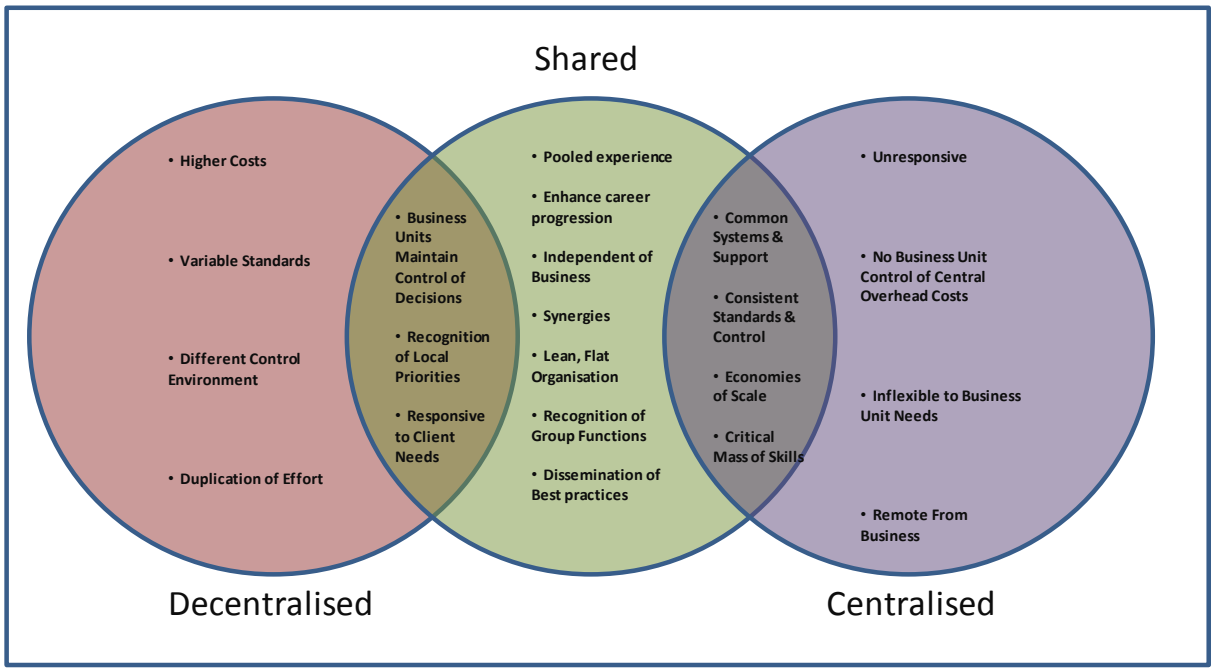


Figure 3 Elements of Centralisation and Decentralisation (Schulman et al, 1999)

The benefits of financial shared services are generally accepted for driving economies of scale through leveraged resource, technology enablement and extending scope. Further value is added through simplified and consolidated reporting and the drive to continuous improvement (Kris, 2002). Rather than discussing an organisational structure, Bergeron (2003) defines shared services as a collaborative strategy. The goals remain the same driving efficiency, cost benefits and service whilst operating like a business competing openly.

Aguirre et al (1998) propose six principles for a shared services operation (Table 2).

Shared Services Principles	
Price Transparency	Each service should have its price. The business can determine how much service it wants at that price
Business Management	Manage the service like a business, not a fixed cost. Serve internal and potentially external customers
Market Responsiveness	Provide the service levels the businesses want, not the levels staff think they need
Best Practice Proliferation	Identify and deploy Best Practices quickly and globally
Process Standardisation	Develop streamlined process standards that can be maintained and improved quickly
Service Culture	Treat business units like customers, offering services they value and charging for each

Table 2 Shared Services Principles (Aguirre et al, 1998)

Similarly Schulman et al (1999) propose six operating principles for the shared services with the more specific principle to operate as a stand-alone organisation. Whereas Aquirre et al's (1998) shared services identifies and deploys best practice Schulman et al's (1999) principles also require it to be "…*process oriented and focused on specific activities within processes, leveraging technological investments and focused on continuous improvement*…". These principles have a resonance with Smith's (1776) division of labour but are differentiated from Mintzberg's (1989) machine organisation in Quinn et al's (2000) comparison of shared services and centralisation principles (Table 3), which also align with Schulman et al's (1999) further principles of being "…*driven by market competitiveness*..." and focus "…*on service and support to 'business partners', beyond the traditional ideas of 'customer service' or 'client support'*…".

Comparison of Shared Services and Centralisation

Shared Services		Centralisation
Provide services at a cost, quality, timeliness that meets clients needs.		Provide services at a reasonable cost, quality and timeliness to meet "corporation's needs".
Enables internal customers to select services and service levels based on what they are willing to pay for.		Usually offer a universal set of services at service level deemed reasonable.
Accountable to provide services at the real fully loaded cost.		Usually cost plus basis, allocating on a percentage basis.
Has a role to be competitive with external providers.		Has a role to be competitive with external providers.
Does not typically or ideally enforce policy compliance.		Enforce policy compliance.

Table 3 Shared Services: Centralisation Comparison (Quinn et al, 2000)

Quinn et al (2000) emphasise shared services is more than mere consolidation it essentially

must build on best practice. A natural progression is to outsource elements or the whole of a shared services operation (Schulman et al, 1999). Schulman et al (1999) predict, as a certain future for shared services, the outsourcing of transaction-based supporting processes to a handful of giant companies performing these processes for most large companies. Kris (2002) is more emphatic about shared services becoming independent businesses with the established shared services reducing costs and standardising processes as a basic starting point (Table 4).

Continuum of Shared Services Models			
Basic	Marketplace	Advanced Marketplace	Independent Business
Consolidation of transactional / administrative work	Includes professional and advisory services	Client choice of supplier	Separate business entity
Focus on economies of scale	Separation of governance and service functions	Market-based pricing	Profit is retained
Services charged to recover fully loaded costs	Services charged to recover fully loaded costs	Possible external sales if surplus capacity	Multiple organisations as clients
Objective to reduce costs and standardise processes	Objective to reduce costs and improve service quality	Objective to provide clients choice of most cost-effective supplier	Objective to generate revenue and profits for service company

Table 4 Continuum of Shared Services Models (Kris, 2002)

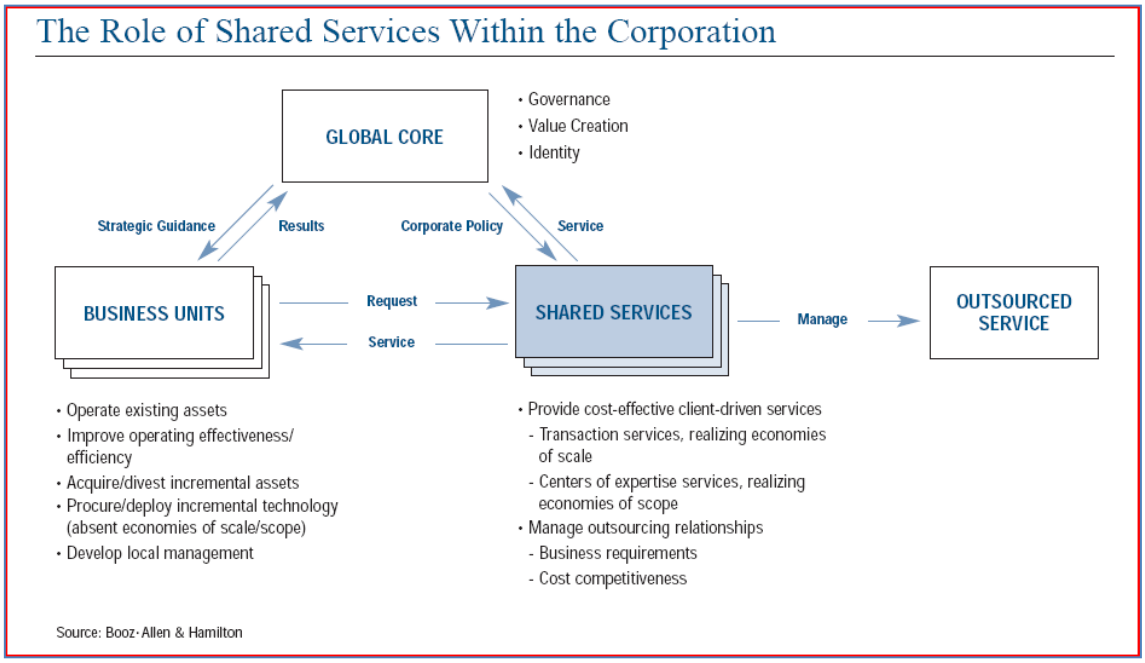


Figure 4 The Role of Shared Services (Aguirre et al, 1998)

The shared services role evolves or matures into managing outsourced service (Figure 4),

ensuring the businesses needs are met on a competitive cost basis (Aguirre et al, 1998). Kris (2002) recognises the cost competitiveness derives significantly from wage arbitrage.

The Hackett Group (2007) are surprised to find a lag in benefits reported by existing shared services (Figure 5) for the goal of reducing administration, head count and salary costs despite being primary drivers for establishing shared services (Figure 6). The Hackett Group (2007) associate this with a compromise between locating the shared services close to headquarters and locating in low cost labour markets.

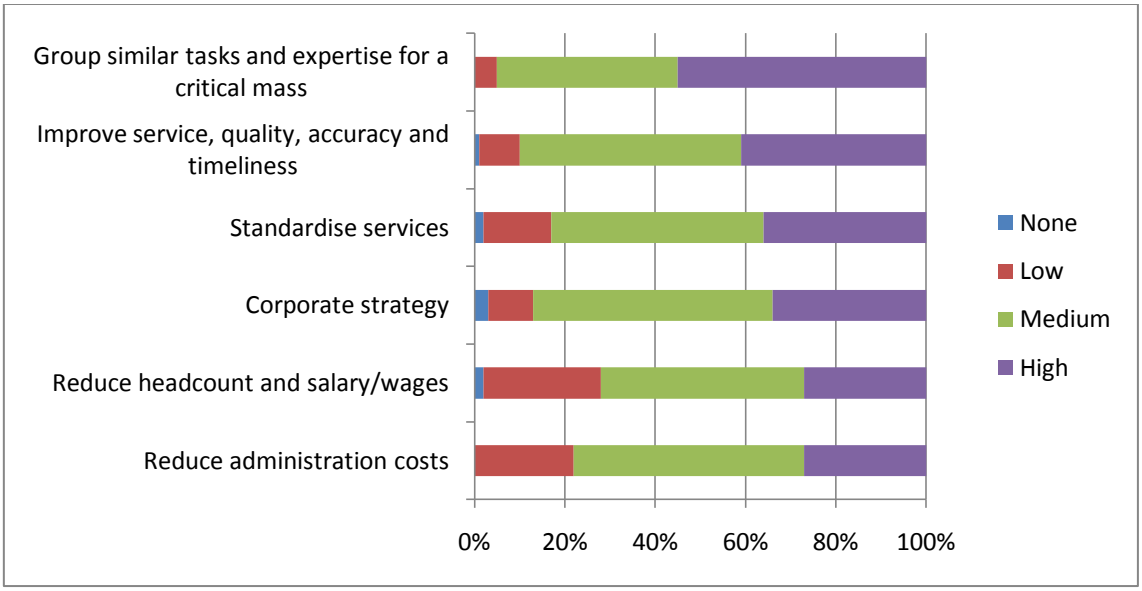


Figure 5 Companies Achieving Success Against Goals (The Hackett Group, 2007)

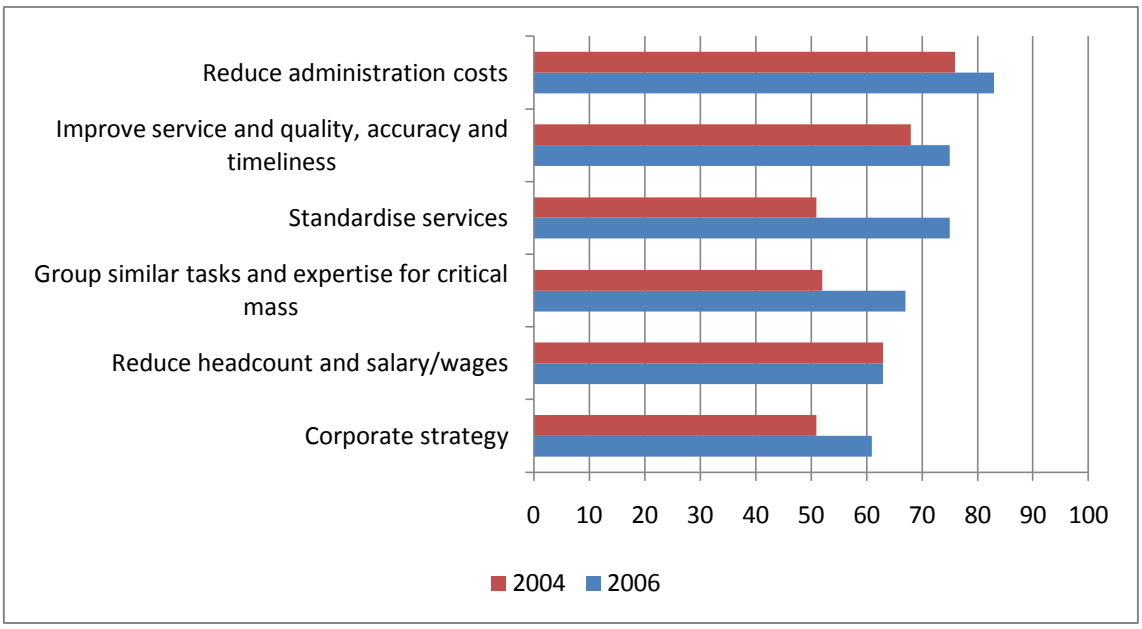


Figure 6 Primary Drivers for Shared Services (The Hackett Group, 2007)

The Hackett Group (2007) reported 8% of shared services were outsourced, but interest in outsourcing existing operations has reduced between 2004 and 2006.

2.3.2. Business Process Outsourcing (BPO)

Although Friedman (2005) identifies offshoring and outsourcing independently as two of his ten "flatteners" of the world, consistent with the definition in section 1.6.3, the term "outsourcing" throughout this report includes "offshoring" unless specifically stated.

The 2004 World Outsourcing Summit, reports Corbett (2004), found the top reason for outsourcing is to reduce costs (Figure 7).

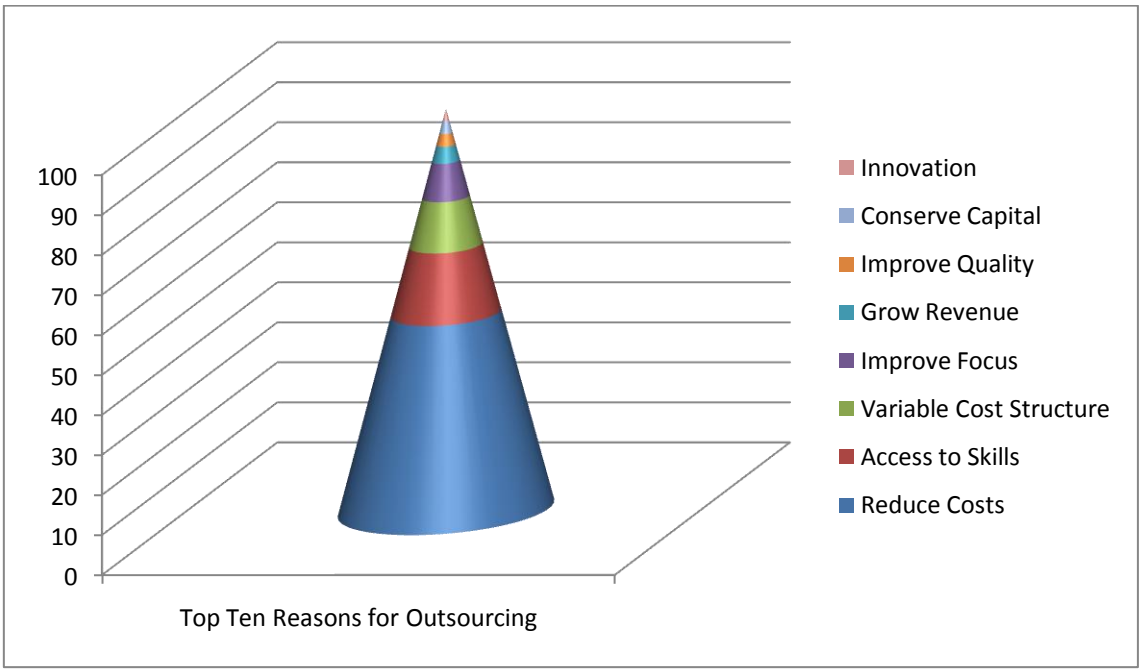


Figure 7 Top Ten Reasons for Outsourcing [% Respondents] (Corbett, 2004)

Motives for outsourcing are examined by Quinn et al (2000). Several are deemed to be invalid. Valid motives for outsourcing non-core or back-office operations of an enterprise include access to world-class practices, world-class capability and improved service. The avoidance of internal capital investment to create process and systems improvements points towards the leverage of scale and practice that may be accessed only through an outsource arrangement. Quinn et al (2000) advise that achieving genuine cost savings benefit requires an enterprise to be aware of its own costs for comparison. It is recommended to consider shared services prior to outsourcing. Cohen and Young (2006) follow the same path between shared

services and outsourcing. Recognising in-house shared services lack scale, Cohen and Young (2006) suggest shared services provide an opportunity to "…*build and compete*…". Quinn et al (2000) give the warning "…*if outsource suppliers are offering substantially lower prices without substantially different processes or technology*…" client businesses should anticipate "…*to be charged for every single additional function requested*…" beyond the honeymoon period during which the client releases its own workforce and creates a difficult situation to reverse.

There are two key dimensions for seeking value from offshoring operations (Corbett, 2004), cost differential and capability differential. Corbett aligns four sourcing strategies against the varying significance of cost or capability (Figure 8).

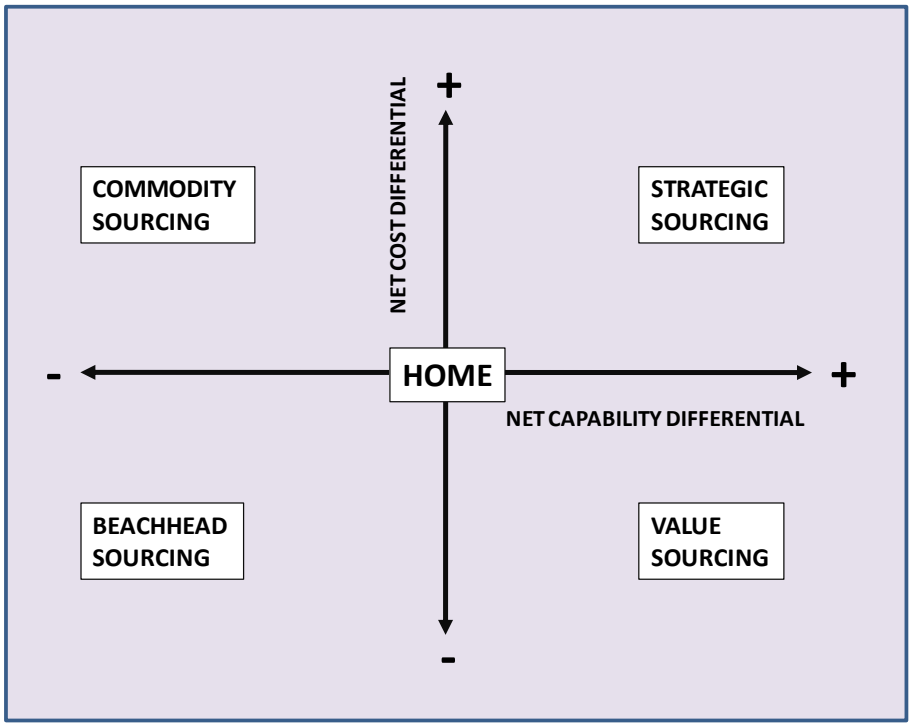


Figure 8 Strategic Values Offered by Offshoring (Corbett, 2004)

Outsourcing can be carried out at three levels (Greaver, 1999). At the individual level activities are outsourced. Whole roles are outsourced at the functional level. Both levels are tactical in execution and tied to cost benefits. The third level is far more strategic by outsourcing whole processes. Corbett (2004) and Greaver (1999) are in full agreement that the outsource to gain cost and capability benefits requires strategic sourcing. Greaver (1999) connects the strategic sourcing for the outsource of processes to asking fundamental questions of the organisation about its vision and strategy. With reference to the Hammer and Champy (2001) definition of the process enterprise, Corbett (2004) provides a critical definition for

business process outsourcing more specific than that used by The Hackett Group (2007). Rather than operating a business as an hierarchy, process enterprises treat activities as related, coherent end-to-end processes to create customer value (Corbett, 2004). Applying this approach to outsourcing, the traditional outsourcing of parts of a process to discrete specialist departments, is replaced with a focus towards a process-centric, end-to-end perspective of the business' activities or business process outsourcing (BPO). The same principle is included in Friedman's (2005) "*triple convergence*". Friedman argues that his ten world flatteners, creating a global playing field, were until the new millennium rather independent. However the technology convergence of workflow software and complimentary goods allowed each flattener to enhance the other. Friedman's (2005) Convergence II requires a new business model in which people and organisations collaborate horizontally, rather than vertically, to create new value through the leverage of the ten flatteners and enabling technology.

Convergence III (Freidman, 2005) is positioned as the most important political and economic influence of the early 21st century as former soviet countries join the world economy.

2.3.3. Business Process Outsourcing (BPO) Markets

Dunn (2006) predicts a growth in business process outsourcing (BPO) with growing interest in delivery centres in Poland, Hungary and other CEE countries for multi-lingual dependency. Albeit focusing on call centre locations Read (2003) states that European language skills are largely confined to European locations, with the east providing lower cost labour outsourcing to the west. Read (2003) acknowledges some very limited exceptions of particular languages being available beyond the bounds of Europe, such as French, German, Spanish and Portuguese. The wage arbitrage benefit is an opportunity in Central Europe. Read (2003) doubts the long-term viability of using off-shoring to drive cost benefits as these locations economies start "*warming up*" in response to the increased business and employment conditions within their geography. Language skills will become a constraint in many of these markets (Farrell, 2006), limiting the potential for non-English based outsourcing.

The European Commission (2006) has determined that the proportion of Europeans speaking a language beyond the five most commonly used European languages is in the lower decile. The proportion of Europeans speaking a non-native language other than the five most commonly used European languages and Russian is in the lowest percentile (Appendix 2). Of

the five most commonly used European Languages generally three are also spoken by the lower decile of the population in most countries (Appendix 3) and largely concentrated geographically about the languages' mother countries (Appendix 4). It can be deduced that the availability of comprehensive European language skills is not bountiful across Europe diminishing quickly with distance from the mother country and by extrapolation continue to diminish beyond Europe's borders.

The European Commission's Eurostat (2009b) data evidences that Europe's less wealthy nations; for the purpose of discussion those with a gross domestic product (GDP) per capita below the European average (Appendix 5) have comparatively low proportions of language skills with the exception of Malta. The lower wealth countries, those with GDP per capita below the European average, exhibit real GDP growth and inflation rates above the European average (Appendix 5).

To summarise, European languages skills capacity is finite and largely constrained to Europe. The lower wealth countries, providing lower cost labour are experiencing Europe's highest economic growth and inflation rates. In reflection the same pattern can be seen in Ireland's economic growth. The Economist (2004) editorial describes the fascination new European Union member states in central and east Europe held for Irelands "Celtic Tiger" economy. Civil servants and businessmen from these locations were "…*anxious to emulate Ireland's leap from one of the EU's poorest members in the 1980s into one of its richest*…" member states in no small part thanks to foreign direct investment. US investment in Ireland at the end of 1994 was more than half that again invested in the UK on a per capita basis at a time the UK was considered the European champion of inward investment (The Economist, 1997). A few years later Redman (2006) reflects that Irish labour costs had risen from being among the lowest in the EU in the mid-1990s to being among the highest. Redman (2006) warns "…*wage inflation could jeopardise Ireland's ability to attract and keep multi-nationals*…". Bravard and Morgan (2006), warn with specific reference to Ireland's tax incentives to attract foreign businesses, that the very businesses attracted to low costs markets, will be ready to move other markets as soon as they become attractive.

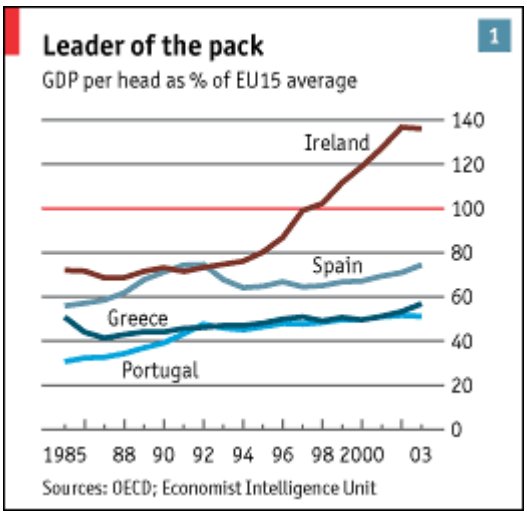


Figure 9 Economic Growth (GDP) of Ireland (The Economist, 2004)

Farrell et al (2005) introduces another challenge to the lower labour cost markets capacity for outsourcing in terms of the size of the educated workforce being limited. A McKinsey survey of HR professionals reported a constraint on the number of suitable candidates based on cultural norms. Farrell et al (2005) do not advise what culture was being used as a base for comparison. However much of the paper is written with a leaning towards US business, such as the availability of language. The paper does not give any indication as to whether norms are adapting to globalisation. If the paper is written with a US bias the findings of the survey (Figure 10) may not be applicable to a Europe-to-Europe outsource arrangement.

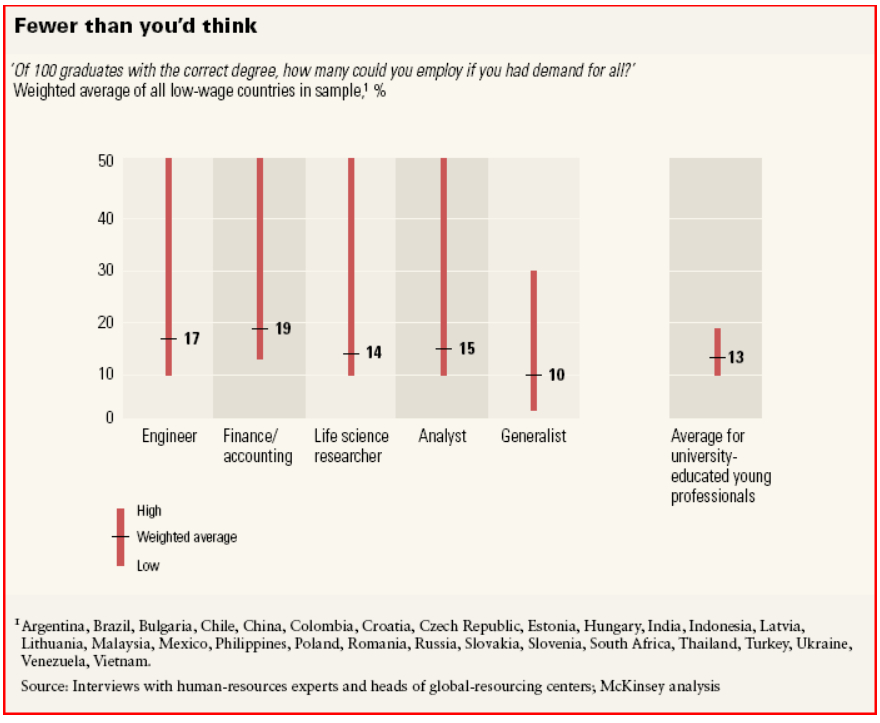


Figure 10 Percentage of Suitable Graduates (Farrell et al, 2005)

To summarise, Dunn (2006) anticipates rapid growth of language dependent outsourcing centres in Europe, particularly in the former communist countries, providing low cost labour to west Europe. The long-term viability of outsource operations in the current low cost labour markets is questionable (Read, 2003) as economic growth warms up. The view is supported by economic growth and inflation data from the European Commission's (2009b) Eurostat database. The European Commission (2006 and 2009a) also support Read (2003) in acknowledging European language skills are limited in the low cost labour markets and largely constrained to Europe. Similar economic growth has been observed in Ireland (The Economist, 1997 and 2004) leading to highly uncompetitive costs (The Economist, 2006). Farrell et al (2005) raise concerns that the low cost labour markets offer a low number of suitable candidates for multi-national operations.

Research question 1[4] can now be expressed as two hypotheses.

- Hypothesis 1a – economic growth in lower cost European language labour markets is eroding the benefits of wage arbitrage.
- Hypothesis 1b – economic growth in lower cost European language labour markets is caused by the success of BPO providers in those locations.

2.3.4. Competitive advantage and strategy

Focus so far is on driving cost benefits (Corbett, 2004). Benefits throughout this discussion have been based on lower cost labour or "wage arbitrage". Key opinion leaders Milne (2006) reports, observe that outsourcing is all about the reduction of headcount. There is very little attention to using technology to cut headcount completely. It can be inferred, from the discussion of wage arbitrage and Quinn et al's (2000) warning about pricing after the "honeymoon period", that headcount drives the cost of the outsource contract. Outsource providers are competing Porter's (1985) cost strategy, through wage arbitrage and leveraging economies of scale. Their competitive advantage is being eroded directly by increasing cost of labour (European Commission, 2009b) and indirectly by availability of acceptable candidates to outsourcers (Farrell et al, 2005), if we stretch Porter's (1985) supplier bargaining power by considering the humans as the assets in a wage arbitrage operation. Competition from existing

[4] Question 1 - To what extent, if any, has economic growth in lower cost labour markets affected the competitiveness of European language dependent transaction business process outsource operations?

rivals and new entrants is growing as an enormous volume of activities are outsourced to low labour cost markets (Brown and Wilson, 2005).

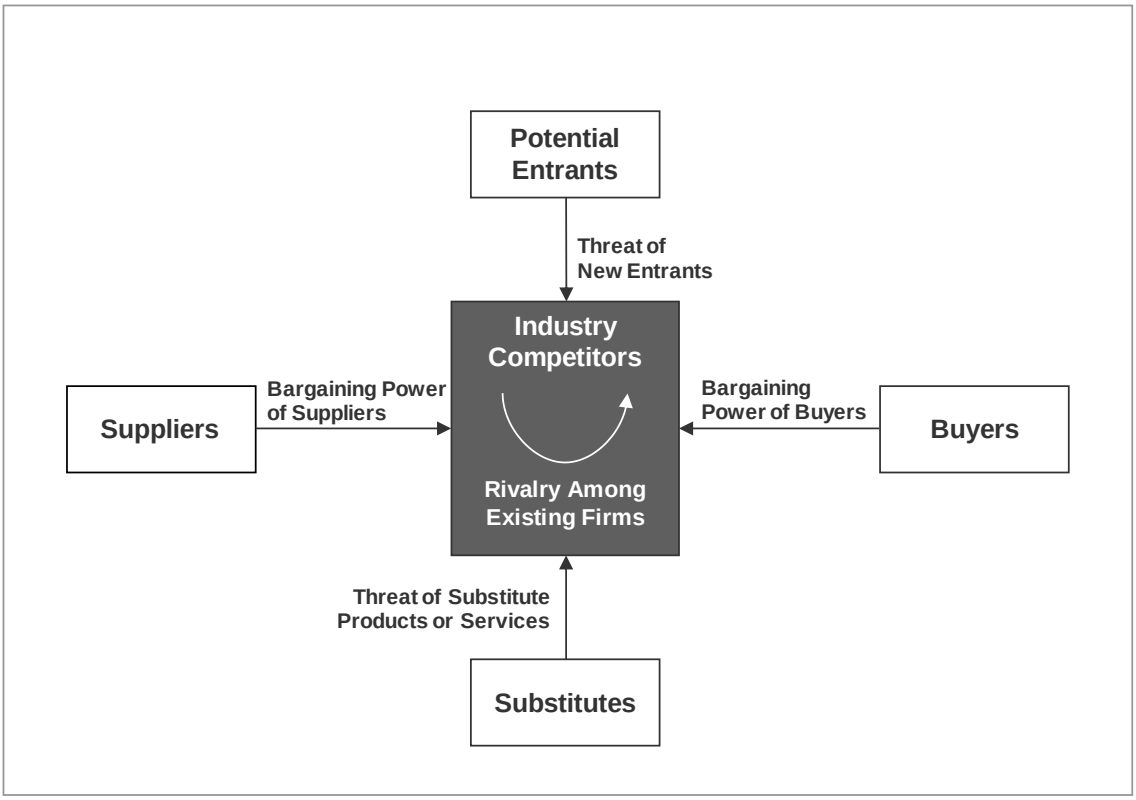


Figure 11 Five Forces of Competition (Porter, 1985)

The outsourcers cost advantage is limited. Alternative competitive advantage strategies are to differentiate the service in some way that adds value to the client or focus into narrow customer segment or into a narrow service segment (Porter, 1985). Whitmore (2006) likens BPO to the disappointing results of Y2K adoption of enterprise resource planning (ERP) systems without proper business process reengineering (BPR) as wage arbitrage is not sufficient, continuous improvement is required. This has resonance with the argument of Hammer and Champy (2001) that simply overlaying technology on the old way of doings things achieves very little.

Shared services are likened to outsourcing (Quinn et al, 2000) and recommended as a logical step prior to outsourcing. Although primary drivers include reducing administration costs and reducing headcount, salaries or wages (The Hackett Group, 2007), beyond the inherent economies of scale (Smith, 1776) the best practices used by world-class shared services (Figure 12) are created through the transformational leverage of technology (The Hackett Group, 2005).

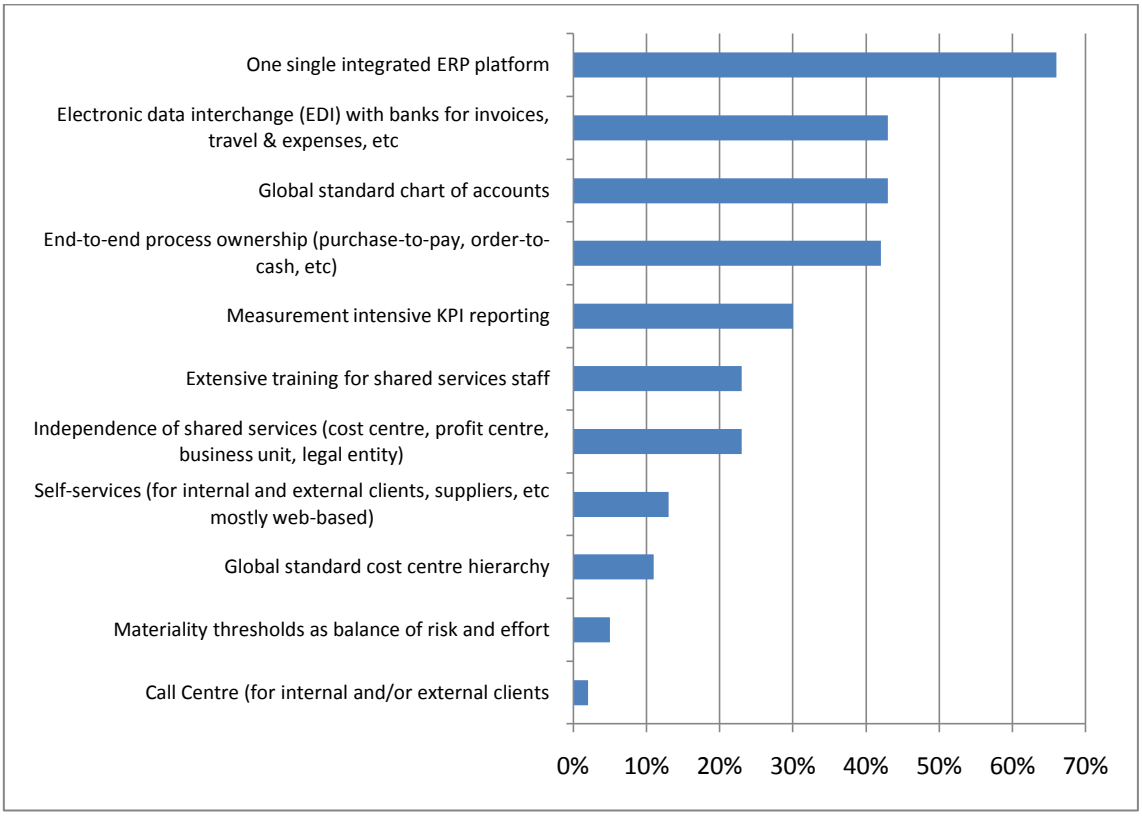


Figure 12 World-Class Shared Services Best Practices (The Hackett Group, 2005)

Responses to The Hackett Group's (2005) best practices survey relate to in-house strategies rather than collaboration with other businesses. Indeed responses to a question regarding sharing of best practices provided little indication of a great intent to collaborate (Figure 13), with the greatest openness, according to The Hackett Group (2005) displayed by the mature shared services.

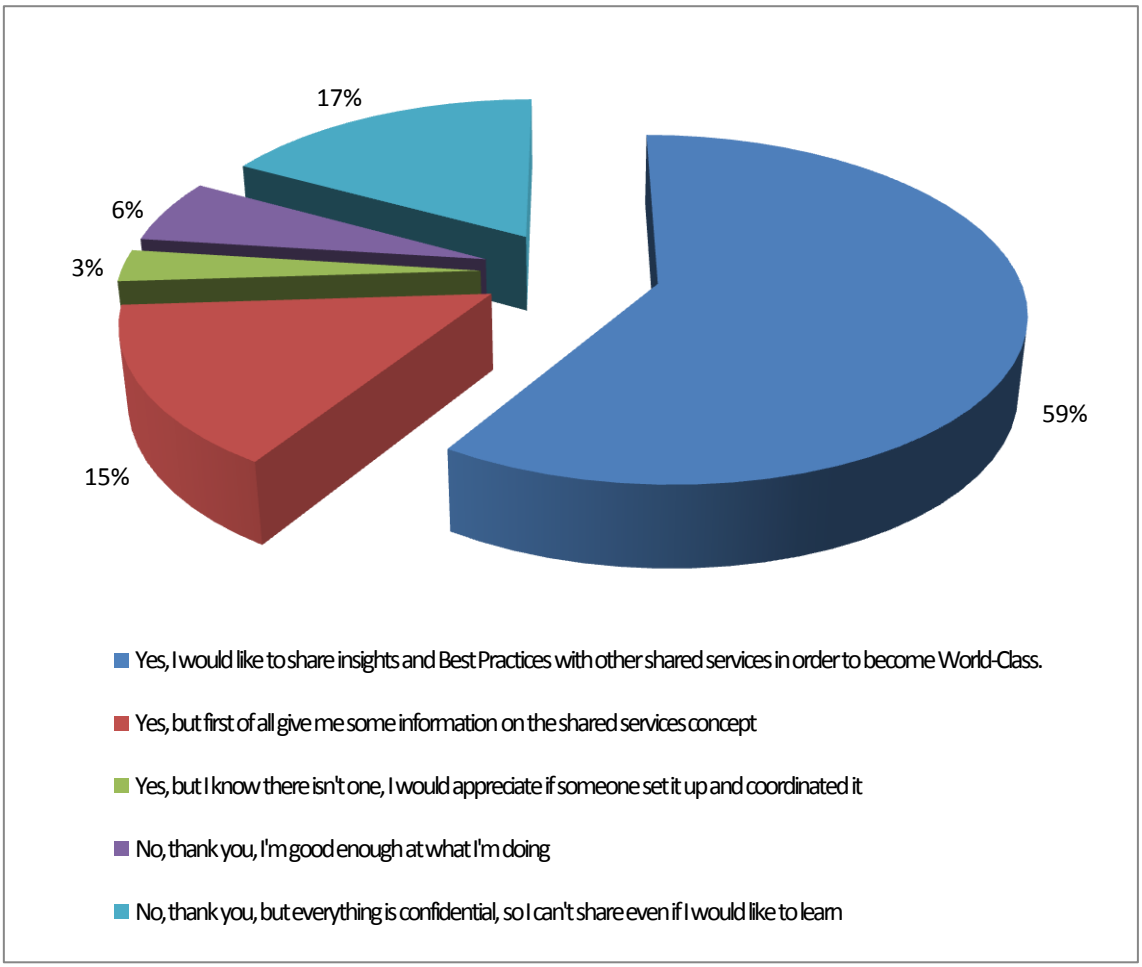


Figure 13 Interest in Best Practice Sharing (The Hackett Group, 2005)

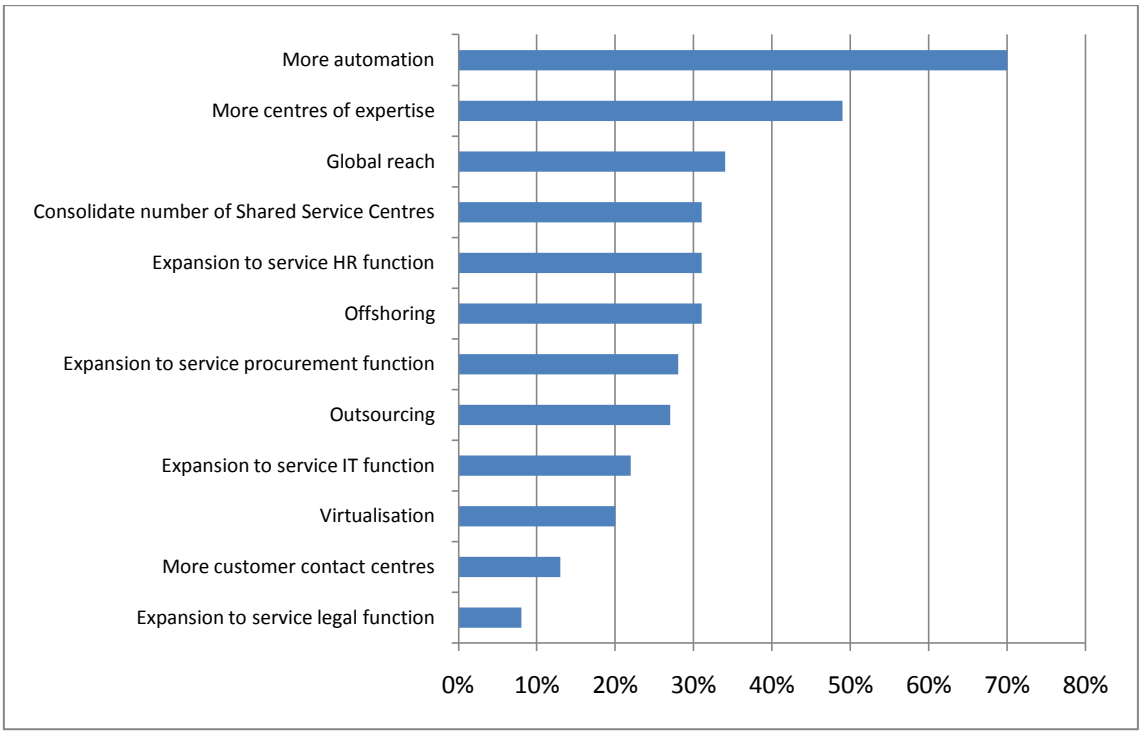


Figure 14 How Shared Services Will Look in the Future (The Hackett Group, 2005)

Despite the shared services community holding desires to increase automation, consolidate operations, drive expertise and expand scope (Figure 14), there remains an reluctance to adopt outsource providers' systems or processes. This limits the competitive advantage of the outsourcer, even to the extent of collapse. LeapSource folded failing to achieve economies of scale as clients were reluctant to accept standardised solutions (The Economist, 2001).

It is difficult to determine the source of the reluctance to adopt standardised solutions as the activities in the BPO scope are those considered non-core to the client (Johnson and Scholes, 2002).

2.3.5. Delivery Models

When offshoring, companies are merely copying their current operational model from locations where labour is expensive and capital cheap to locations where the opposite is the case (Agrawal et al, 2003). Baldwin (2006) challenges economists understanding of outsourcing. He contends that economists have not considered the "*co-ordination costs*" generating by relocating parts of a process that have previously been "*spatially clustered*" or bundled through no random outcome into a single location or office. The activities involved in interacting or communicating with other groups are what Baldwin (2006) describes as the co-ordination costs. An example would be the costs of calling several different offices to compile a report. Baldwin argues these co-ordination costs shift the "*tipping point*" at which wage arbitrage becomes beneficial. That is the interaction or communication between outsourced activities and the home enterprise introduce an extra cost to offset against the labour cost benefits.

Baldwin (2006) refers to the concept of trading tasks introduced by Grossman and Rossi-Hansberg (2006a) developing economy models for outsourcing. Their paper concludes there is a "…*productivity effect that results from improvements in the technology for trading tasks*…". Grossman and Rossi-Hansberg (2006a) decompose tasks into Autor et al's (2003) five skill categories of "*routine manual*", "*routine cognitive*", "*nonroutine analytic*", "*nonroutine interactive*" and "*nonroutine manual*". Baldwin (2006) clarifies from the work of Grossman and Rossi-Hansberg (2006a) that routine tasks can be relocated to educated workers in low cost labour markets. Nonroutine tasks require face-to-face interaction and continual re-optimisation and re-evaluation.

Summarising Baldwin (2006), Grossman and Rossi-Hansberg (2006a) and Autor et al (2003) it can be argued that nonroutine activities can be best outsourced for labour cost benefits when kept bundled as much as possible to reduce interaction with the home business and when supported with technology that not only supports the task but supports the trading or relocation of task.

In a separate paper, Grossman and Rossi-Hansberg (2006b) postulate, in greater depth, the beneficial impact on low wage workers income in the client markets. The emphasis of the argument is towards the outsourcing causing the rapid drop in routine tasks (Figure 15). Grossman and Rossi-Hansberg (2006b) sourced the data from Autor et al (2003), consolidating the five categories of task into the two presented. However Autor et al (2003) associates the reduction more with the impact of computerisation of routine tasks, described by Grossman and Rossi-Hansberg as an "…*other possible explanation*…" for the pattern of change.

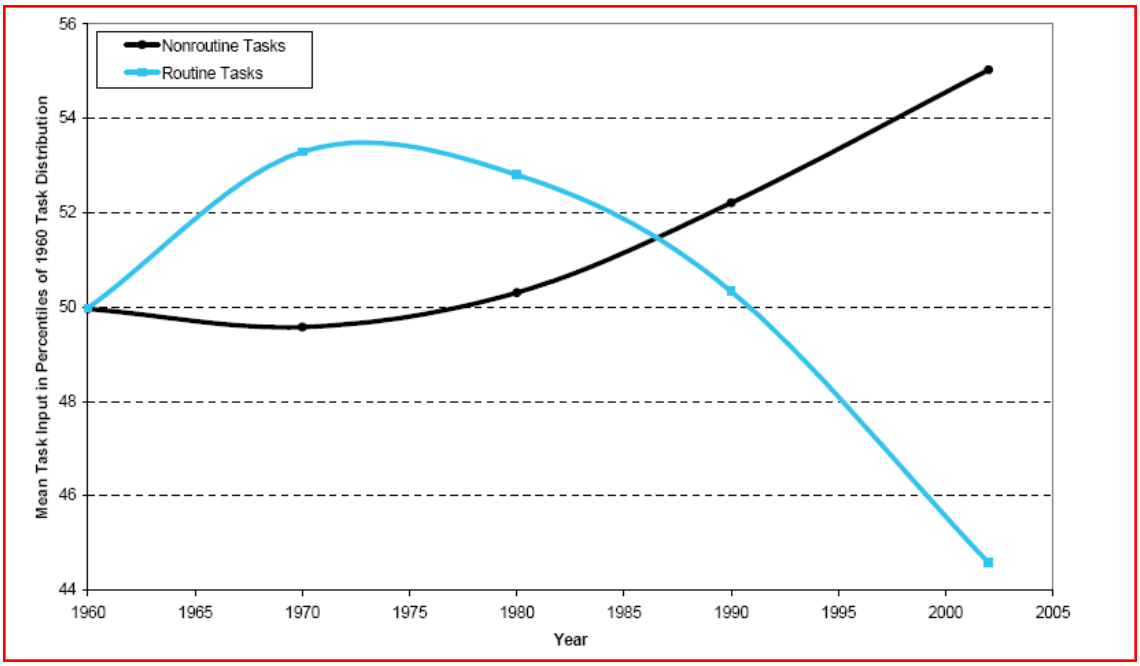


Figure 15 Trends in Nonroutine and Routine Tasks (Grossman and Helpman, 2006)

Grossman and Helpman (2003) determine that outsourcing requires a bilateral relationship in which the partner undertakes relationship specific investment and customises products or services for the client enterprise needs.

Linder (2004) focuses on the long-term relationship between client and BPO provider. Linder (2004) describes the traditional outsource model to be cost focused in repairing the old. She then offers the concept of transformational outsourcing in which the initial short-term focus is cost reduction but over the longer term this turns to an investment focus strategy aligned with the client's business growth, driving organisation change and innovation.

Click and Duening (2005) discuss the future benefits of business process outsourcing in terms of expanded scope to processes beyond the finance or HR transaction, such as delivered teaching, legal services, etc. They also discuss the competitive advantage returned to the client in terms of reducing risks through simplified employment law and consolidated disaster recovery planning for instance.

Kirby and Lipson (2002) explore the benefits of Multi-client Service Locations (MSLs). Each client located in the facility receives what are acknowledged to be diminishing benefits by taking a share of the location infrastructure and management fixed costs. The paper offers a practical and achievable economy of scale cost benefit through the co-location with other clients. Kirby and Lipson (2002) however merely reinforce the notion that the client is buying resource rather than units of service.

Cohen and Young (2006) distinguish a variety of outsourcing arrangements beyond transactional or process outsourcing. Consideration is given to one-time innovation collaborations for example. Reflecting on the primary drivers for shared services (The Hackett Group, 2007) and outsourcing (Corbett, 2004) being cost reduction, with an aim of driving standardised best practice, the appropriate outsourcing approach is in Cohen and Young (2006) terms that of Access (Figure 16) to standard services driving operational value, paying on a usage or consumption basis. However in practice the reluctance to adopt standardised process (The Economist, 2001), paying an infrastructure allocation (Kirby and Lipson, 2002) as an element of coordination costs (Baldwin, 2006) positions BPO arrangements as management fees in sourcing terms (Cohen and Young, 2006).

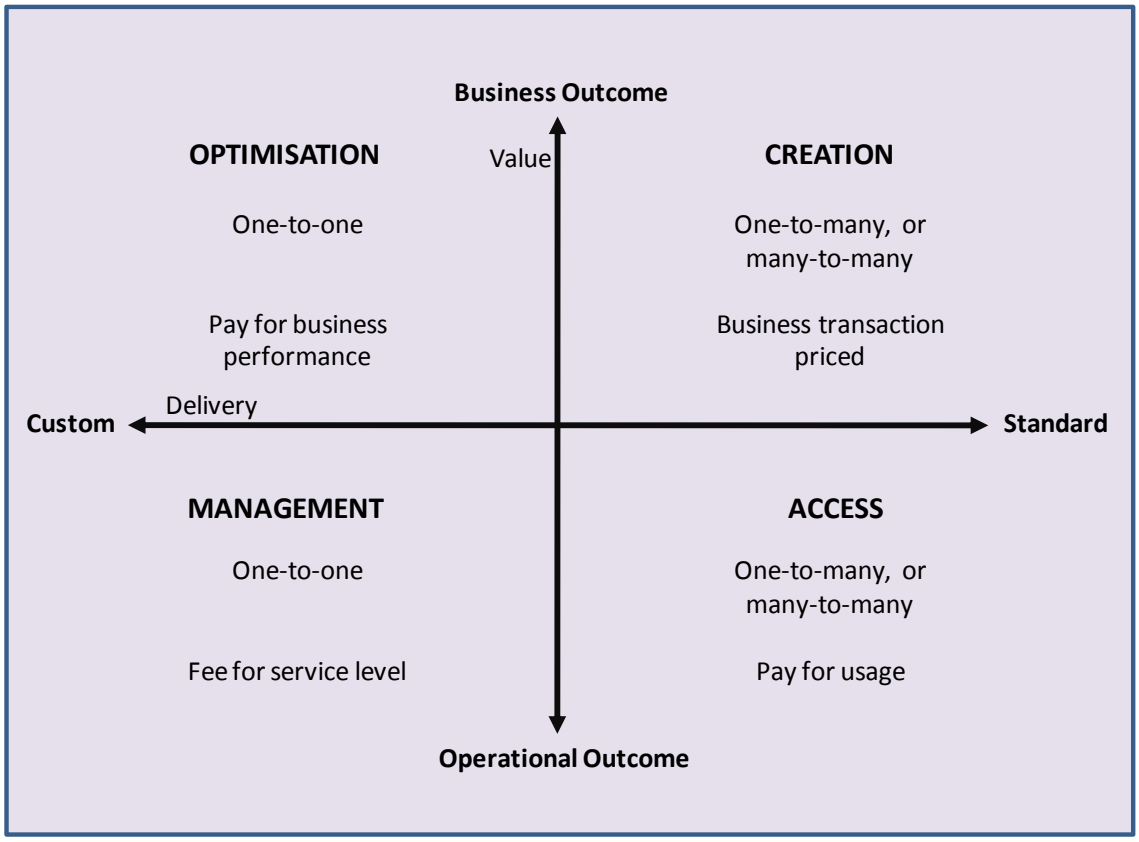


Figure 16 Four Worlds of Sourcing (Cohen and Young, 2006)

The greatest indication of standardised practice being adopted is provided by Nelson Hall BPO Insight (2006). Their study revealed that "…*the multi-process HRO market has changed in the last 6 to 12 months from a predominantly 'one to one' (1:1) vendor to client delivery model to 'one to many' (1:N). However, vendors face the challenge of isolating the impact of client-specific processes to enable the adoption of a 1:N model and facilitate the evolution of vendor-standardized processes. No vendor has completely mature multi-process HR outsourcing delivery capability, and many vendors are simultaneously moving rapidly to standardize processes and platforms and reduce cost of delivery. Convergys, ADP, ExcellerateHRO, and Accenture HR Services are leading the way in the short-term, and market consolidation is anticipated in the medium-term with a number of vendors chasing similar markets with similar offerings and delivery mechanisms*…".

The concept of using industry-wide shared services capturing an incremental benefit of 20% cost savings over the enterprise-wide shared services is mentioned by Aguirre et al (1998). Although it is not clear how Aguirre et al reach this conclusion, Henderson's (1974) empirical research into the experience curve effect may provide the solution. Henderson found that costs decline 20% to 30% in real terms each time accumulated experience doubles. In simple terms increasing volume of routine activities drives cost down. Henderson (1974) may have

determined the root of economies of scale beyond maximising utilisation and leveraging technology (Smith, 1776). In application this predicts lower operating costs in a centre providing services to multiple clients using the same process and performing the same activities than the same centre providing the same services to the same clients using different processes and activities. This is undeniably the same "consolidation" and "standardisation" benefit experienced in establishing shared services operations (Kris, 2002).

2.4. Conceptual Model

The conceptual model (Figure 17) relates the journey from diversified execution of activities, through consolidation to the benefits of standardised processes, which can equally describe the path taken by shared services operations and BPO operations. The final guiding step on this model is towards leveraging standardised practice and systems across multiple enterprises.

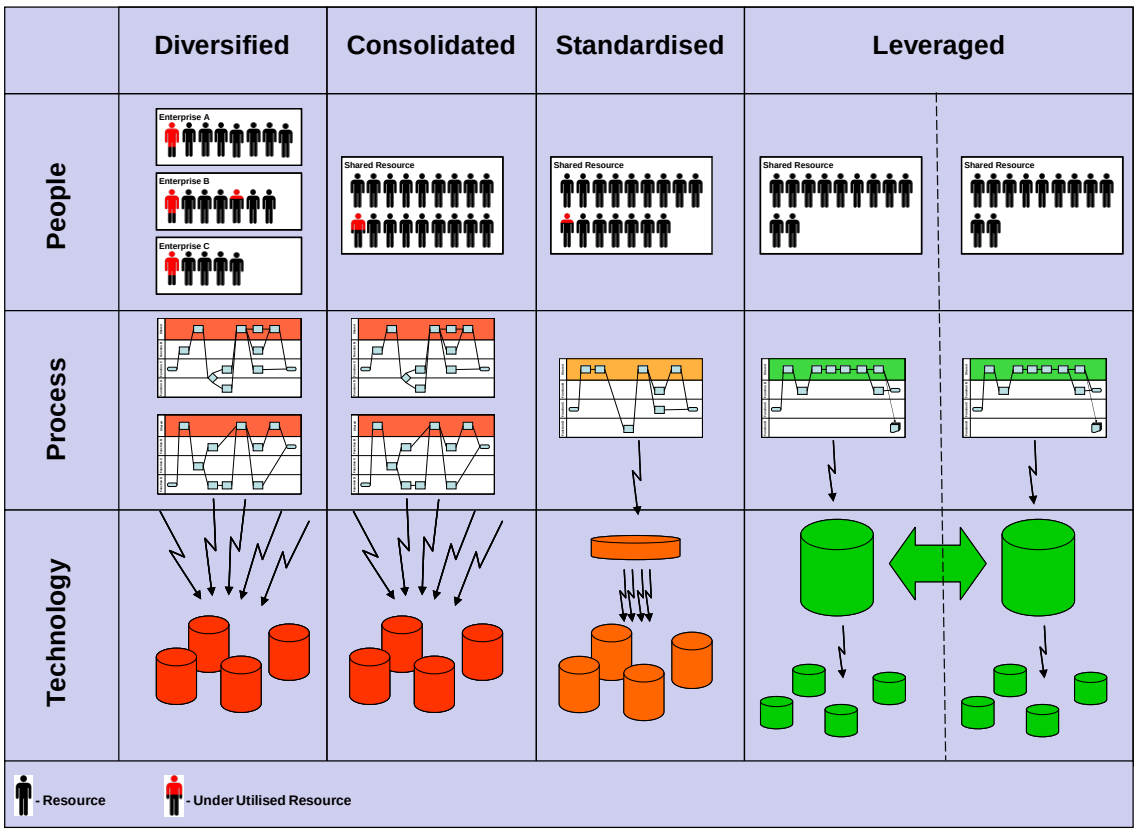


Figure 17 Conceptual Model - Pathway to Leveraged BPO

The first transition in this model (Figure 17) is that from the diversified organisation characterised with inherent redundancies of replication across multiple autonomous

operations (Mintzberg, 1989) to the consolidated operations typical of early shared services (Aguirre et al, 1998). The consolidation benefits are derived from improved utilisation of resources (Schulman et, 1999) by creating division of labour into specialised groups (Smith, 1776).

Further gains are achieved taking the next step towards standardised processes and systems. There are further economies of scale (Kris, 2002) improving utilisation as resources are leveraged across standard practices and standard systems. Some element of the reduced cost (Aguirre et al, 1998) can be attributed to the experience curve (Henderson, 1974) as consolidation of activities into standard processes increases so does the accumulated experience of activities, thereby achieving earlier cost benefits. The cost of this model varies with the cost of the human resources (Milne, 2006) and some largely fixed infrastructure costs (Kirby and Lipson, 2002).

The final step in this conceptual model (Figure 17) drives further cost benefits by reengineering the business process to involve as few people as possible, reducing handoffs and integration points to a minimum (Hammer and Champy, 2001). This model re-bundles the activities that were previously "spatially clustered" through no random outcome into a single location or office (Baldwin, 2006).

In practical terms this means in the procure to pay process, where in the standardised model (Figure 17) the processing of invoices, supplier payment and transactional accounting maybe outsourced, the leveraged model will additionally outsource to the same group supplier selection, ordering and approval for routine (Autor et al, 2003) non-core activities (Johnson and Scholes, 2002). As the activities are non-core, the leveraged model calls for and is able to employ standardised best practice, enabled with highly developed automation.

With the greater bundling of activities into the providers operation, the functionality and specific characteristics of the supporting systems become less relevant to the client organisation. This in turn allows the BPO provider to use their own systems across multiple clients and even interact with other providers working in the same way. This bundling and leverage of technology reduces the inherent coordination costs (Porter, 1985), (Hammer and Champy, 2001), (Daft, 2007) associated with BPO arrangements.

Using the same procure to payment example, the process is initiated with a requisition in the client's system, interfaced into the provider's system where it follows a standard process and finally interfaced back into the client's system as a posting to the stock and nominal ledgers as appropriate. This significantly reduces the transactional interaction and inherently reduces

cost.

Interaction is on an exception basis only following a set of client specific business rules built into the BPO provider's workflow system.

The proposed leveraged model (Figure 17) respects Friedman's (2005) world flatteners, but more importantly brings alive his Convergence II theory of horizontal collaboration enabled through the interaction of workflow, offshoring and outsourcing.

The leveraged model (Figure 17) is aligned with Kris' (2002) prediction for virtual shared services built on workflow, data transfer through market places (in the procurement area), customer/supplier self service solutions, employee self service tools over the web and web-based budget and reporting management. "…*The above is not limited to internal departments in the organisation. The scope can expand to integrate customers and suppliers in the process using more advanced technology*…" (Kris, 2002).

Research questions 2[5], 3[6] and 4[7] can now be expressed as hypotheses.

- Hypothesis 2 – BPO provider competitiveness is improved by adopting BPO providers, horizontally integrated (i.e. more of the process executed by the provider), best practice process.
- Hypothesis 3 – BPO provider competitiveness is improved by consolidating resource and leveraging them across multiple clients.
- Hypothesis 4 – BPO provider competiveness is improved through the maximised use of BPO provider side technology, leveraged across clients and between BPO providers.

As the activities are non-core, the client does not know and need not know what resources are executing the activities for the client. This allows the contract with the BPO provider to be based on consumption of the service (Cohen and Young, 2006); thereby being competitive compared to other clients prices regardless of infrastructure costs or benefits at any particular location.

[5] Question 2 - How might process adoption change to drive competitiveness between European language dependent BPO providers?

[6] Question 3 – How can resources be best organised to drive competitiveness between European language dependent BPO providers?

[7] Question 4 – How might systems best support to drive competitive European language dependent BPO?

The progressive evolution through the conceptual model presented is analogous with the evolution of the English banks. As the Industrial Revolution started, in the eighteenth century, the bank of England and the private Goldsmiths banks held a monopoly on the issue of notes in London and the surrounding area within a sixty-five mile radius (Thorpe, 2003). Traders and industrialists in the midlands and north created their own "country banks" to provide the monetary services their businesses needed, in the absence of services from London. Following the suspension of cash payments from the Bank of England, the country banks were allowed to issue notes of low denomination. By 1808 there were 800 banks outside London. Thorpe (2003) describes how the co-partnership act of 1826 allowed for the creation of joint-stock banks, outside London, which rapidly absorbed the large number of private banks. The new joint stock banks gained access to the Clearing House by acquiring London Banks from 1854 onwards, revolutionising the cheque as a means of financial transaction. Ultimately, the banking operations started by traders and industrialists either became established in their own right as independent banks or were acquired by the growing independent banks. The leverage of technology and automation has allowed diversified services to be offered and banks are no longer competing on price. Thorpe (2003) positions the role of banks in powerfully concluding "…*that industry, commerce and the government are the forces in society producing, controlling and distributing raw materials and wealth of all types*…" and "…*the banks' function is that of a catalyst towards achieving a prosperous and balanced company*…".

Initially as a means to control their growth, industrialists and traders outside London were obliged to create their own processes and systems for transacting cash with other businesses, including handling gold, drawing cheques and the issue of their own notes. Banking developed through standardisation, consolidation and the leverage of technology to the point where businesses merely instruct their bank via industry standard communications, to execute a transaction on their behalf. The completion of the transaction is reported back via the bank statement into the client's cash or nominal ledger without any further involvement unless there is an exception to manage. The banking sector has come into existence through a highly leveraged outsource model.

2.5. Summary

In conclusion, shared services operations have been established on the basis of generating cost

benefits through consolidation (Schulman et al, 1999), improved utilisation, standardisation and leveraging technology (Quinn et al, 2000). Shared services intend to drive best practice through automation, further consolidation and bundling of more processes (The Hackett Group, 2005). Shared services is likened to outsourcing and even advised as a precursor to BPO (Quinn et al, 2000). Unlike the evolution of shared services, BPO providers are typically wage arbitrage based (Milne, 2006) management fee arrangements (Cohen and Young, 2006) in which resource and infrastructure are purchased (Kirby and Lipson, 2002).
BPO providers' ability to compete on a cost advantage strategy is limited and threatened from growing labour costs (European Commission, 2009), limited quality resource (Farrell et al, 2005) and by existing and emerging rivals (Brown and Wilson, 2005).

BPO clients resist the very same best practices of consolidation, standardisation and automation (Nelson Hall BPO Insight, 2006) across clients that have so successfully achieved the aims of shared services (The Hackett Group, 2007).

Further benefits are available through business process reengineering (Hammer and Champy, 2001). The proposed model re-bundles activities into end-to-end processes (Baldwin, 2006), which are wholly outsourced apart from initiation, completion and exception handling according to client specific business rules.

The activities are non-core, allowing standardised best practice, enabled with highly developed automation, to be employed. Functionality and specific characteristics of the supporting systems become less relevant to the client organisation, allowing BPO providers to use their own systems across multiple clients and interact with other providers. This bundling and leverage of technology reduces the inherent coordination costs (Porter, 1985), (Hammer and Champy, 2001), (Daft, 2007) associated with BPO arrangements.
Interaction is on an exception basis only following a set of client specific business rules built into the BPO provider's workflow system. Contracts with BPO providers will be based on consumption of services (Cohen and Young, 2006).

Although the leveraged delivery model is supported by the existing body of knowledge, there is reluctance within the BPO client community (Nelson Hall BPO Insight, 2006) to adopt this model.

Research question 5[8] can now be presented as two hypotheses.

- Hypothesis 5a – Leveraging processes, resources and systems requires common pay per click pricing to drive BPO provider competitiveness.
- Hypothesis 5b – BPO clients are resistant to Hypotheses 2, 3, 4 and 5a.

Chapter two has presented a literature survey, of both recent and older work. The body of knowledge has been represented in the conceptual model addressing the research problem. The specific research questions, to resolve the problem, have been expressed as seven discrete hypotheses. With the current theory established the dissertation will proceed with a detailed description of the research.

[8] Question 5 – How receptive would BPO clients be to adopting a standardised European language dependent BPO model on a pay per click basis?

Chapter 3. Methodology

3.1. Introduction

Chapter two established the current theory related to the research problem and questions formulated in chapter one, presenting the theory by means of a conceptual model and expressed as hypotheses, which can be tested.
Chapter three describes the research in sufficient detail to enable another researcher to repeat the research should it be necessary. The methodology is justified and other methodologies considered is discussed.

3.2. Methodological Considerations

3.2.1. Justification for the selected paradigm and methodology

In selecting the paradigm and the methodology it is appropriate to assess the researcher's relationship with the research topic (Fisher, 2004) and attitude towards knowledge and reality (Figure 18). Coming from a background of evidence based decision making, the preference is towards seeking objective fact-based knowledge regarding the research topic. The hope is to quantify potential benefits as hard data regarding, costs or headcount. As the literature survey builds to the conceptual model of chapter 2 it is evident that despite the existing theory aligning across many sources, supported by the more general parent fields, the leveraged model presented is subject to opinion. Consequently it must be recognised that subjectivity influences the research. The paradigm remains weighted towards the orthodox[1] end of the epistemological[2] continuum rather than the Gnostic[3] in the positivistic paradigm, but in execution may pull towards realist research.

[1] Orthodox – There is an objective truth. Truth is simple and transparent. Truth is an agreed body of knowledge. Conformance and obedience. Language is transparent. (Fisher, 2004)

[2] Epistemology – The study of the nature of knowledge (Fisher, 2004).

[3] Gnostic – Truth is subjective. Truth is hidden. Truth is gained through personal struggle. Challenge and diversity. Language is ambiguous. (Fisher, 2004)

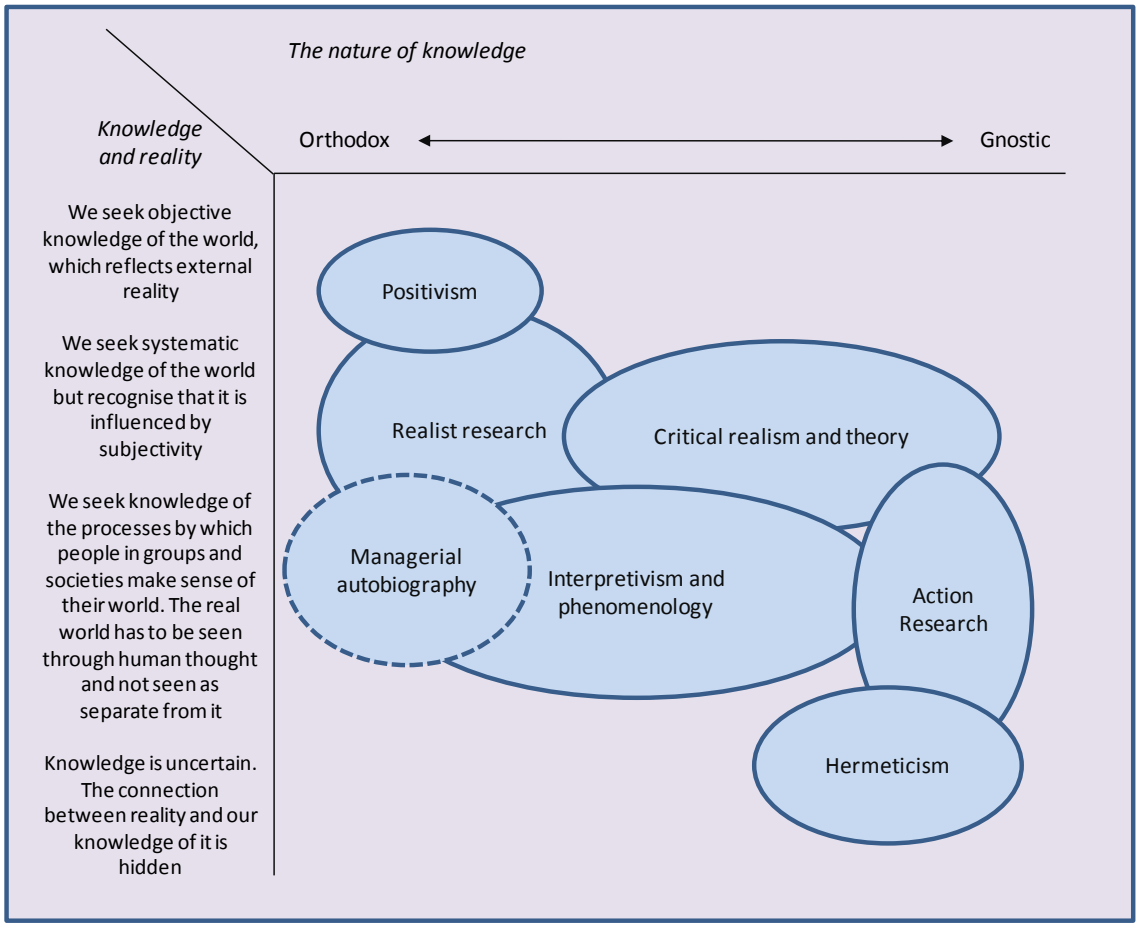


Figure 18 The Main Forms of Management Research (Fisher, 2004)

Collis and Hussey (2003) provide an adapted set of assumptions that can assist in determining the paradigm (Table 5) in which "quantitative" and "qualitative" are used as alternatives for "positivistic" and "phenomenological" respectively.

Assumptions of the Two Main Research Paradigms			
Assumption	Question	Quantitative	Qualitative
Ontological	What is the nature of reality?	Reality is objective and singular, apart from the researcher	Reality is subjective and multiple as seen by participants in a study
Epistemological	What is the relationship of the researcher to that researched?	Researcher is independent from that being researched	Researcher interacts with that being researched
Axiological	What is the role of values?	Value-free and unbiased	Value-laden and biased
Rhetorical	What is the language of the research?	Formal Based on definitions Impersonal voice Use of accepted quantitative words	Informal Evolving discussions Personal voice Use of accepted qualitative words
Methodological	What is the research process?	Deductive process Cause and effect Static design – categories isolated before study Context-free Generalisations leading to prediction, explanation and understanding Accurate and reliable through validity and reliability	Inductive process Mutual simultaneous shaping of factors Emerging design – categories identified during research process Context-bound Patterns, theories developed for understanding Accurate and reliable through verification

Table 5 Assumptions of the Two Main Paradigms (Collis and Hussey, 2003)

Reflecting on this research with reference to (Table 5) it is confirmed on the positivistic paradigm as reality is treated as observable without influence, the researcher currently has little or no influence over BPO arrangements and is emotionally detached from any conclusions of the research. A deductive process is used as the existing knowledge shapes the hypothesis through chapter two. The hypotheses are tested and will not evolve during the testing.

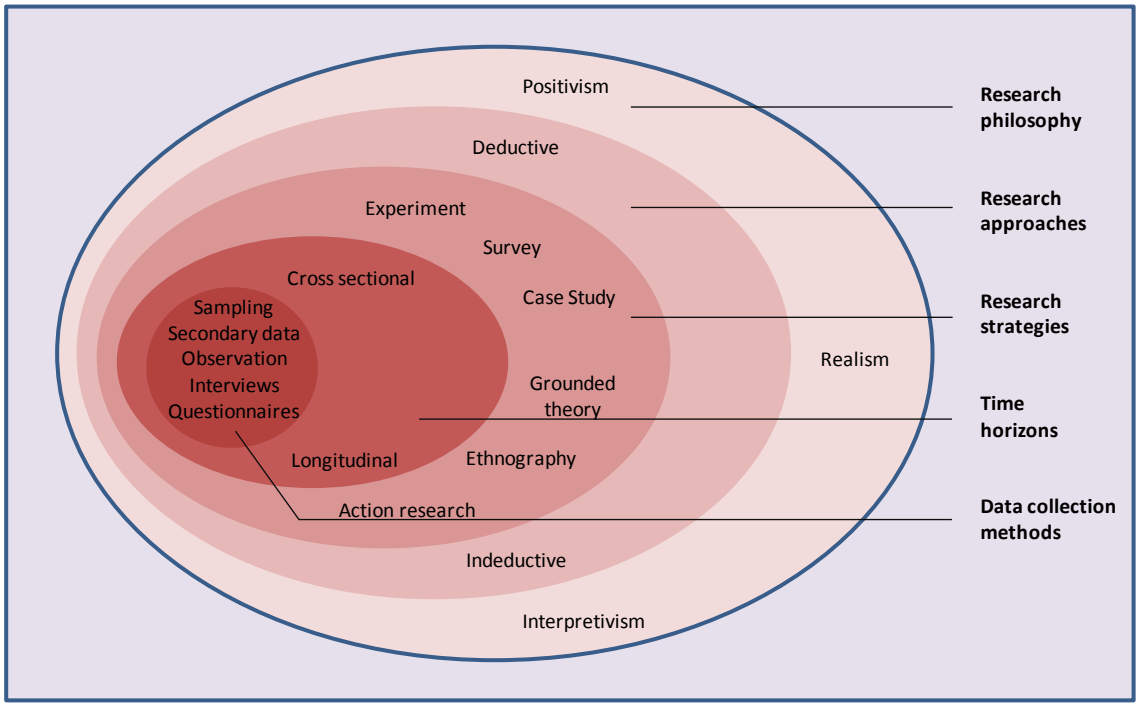


Figure 19 The research Process Onion (Saunders et al, 2003)

Saunders et al (2003) suggest experiment or survey as appropriate research strategies for research testing hypotheses founded on existing theory (Figure 19). As it perceived as difficult to experiment with structure and operation of independent commercial organisations being studied, the experiment strategy has been discarded in favour of a survey strategy. The survey is cross-sectional, that it takes a snapshot in time of attitudes toward the leveraged delivery model presented in the conceptual model.

3.2.2. Rejected Methods

At the time of original planning the researcher was professionally involved in the research topic, in governing European language dependent transaction process outsourcing in a client organisation. A phenomenological epistemology was planned with the intention of influencing the operational and organisational design through the research or making recommendations through a case study conducted with structured interviews. The personal situation has changed. Specifically there has been a change of employer, creating a professional detachment from the research topic. Access to former colleagues for a case study has also been denied on the grounds of corporate confidentiality since the change of employer. In reflection the personal influence over the structure of the BPO provider's service was probably misjudged. Consequently achieving a reasonable conclusion with an inductive

approach was not probable.

3.2.3. Unit of Analysis

The unit of analysis is the major entity being analysed in the research (Trochim, 2006). As the primary data collection instrument solicits opinions and data from individuals employed or experienced as clients, providers, advisors or observers in shared services or business process outsourcing for Europe, the unit of analysis is the European shared services and outsourcing professional. It should be clarified that the use of "European" neither implies nationality nor location, rather only professional interest.

3.3. Research Design

Primary data is gathered through a survey. Secondary data, although desirable, is too expensive to acquire for the research topic, other than the data reflected in the literature survey.

The research methodology leads to a generalisation for the population based on a surveyed sample. Probability sampling is appropriate (Jankowicz, 2002). The survey is consistent for each European shared services and outsourcing professional invited to participate. In maintaining consistency, some survey questions are optional or provide a "cannot answer" option.

As the European shared services and outsourcing professional body comprises of clients, providers, advisors and informed observers, whom have influenced the hypotheses through the body of knowledge, the survey sample is drawn from all the groups. The respondents are required to identify which grouping they belong to as an aid to identifying any correlation between responses and grouping within the sample that might reflect bias or context. For the same reason the respondent is also asked to provide the size of their business and select its sector from the SIC 2007[4] list. The SIC 2007 list is used to maintain portability of the data with other studies.

[4] UK Standard Industrial Classification of Economic Activities 2007 (National Statistics Office, 2007)

The survey is presented in Appendix 6 as it appeared to respondents. The survey is structured to reflect the research questions and the conceptual model.

The invitation to respondents promises the findings will be presented anonymously. However as an incentive to participate, those respondents providing an e-mail address would be sent a copy of the completed dissertation.

Questions 6 to 11 deal with the nature of outsourced transactions and the demand for European language (Appendix 1) skills. Questions 9 and 10 determine the degree of utilisation of language skilled resources (or explicitly any under utilisation). Question 11 seeks the opportunity for improving utilisation using technology automation, both within the commercial means of the respondent's business and regardless of any commercial limits.

As much of the literature survey is built on the importance of wage arbitrage (section 2.3.4) question 12 tests its importance to the sample. Questions 13 to 15 assess the assumption, about the erosion of benefits, expressed in section 1.3 and to specifically address hypotheses 1a and 1b.

The crucial attitudes of the sample are tested in questions 16 and 17. Research questions [and hypotheses] 2 to 4 are addressed in question 16. The literature review revealed a recognised similarity between shared services and BPO. Question 16 tests attitudes towards BPO providers following the same principles on which shared services have been established and operated. It is mandatory to respond in order to complete the survey. Ordinal data is collected for qualitative statements to allow quantitative analysis of rankings. Research question 5 and its two hypotheses are specifically addressed by question 17. It tests attitudes towards the attributes of the leveraged delivery model presented in the conceptual model. The forced ranking requires the selection and ranking of three preferred variations of resource leveraging, process and system leveraging and pricing/sourcing model.

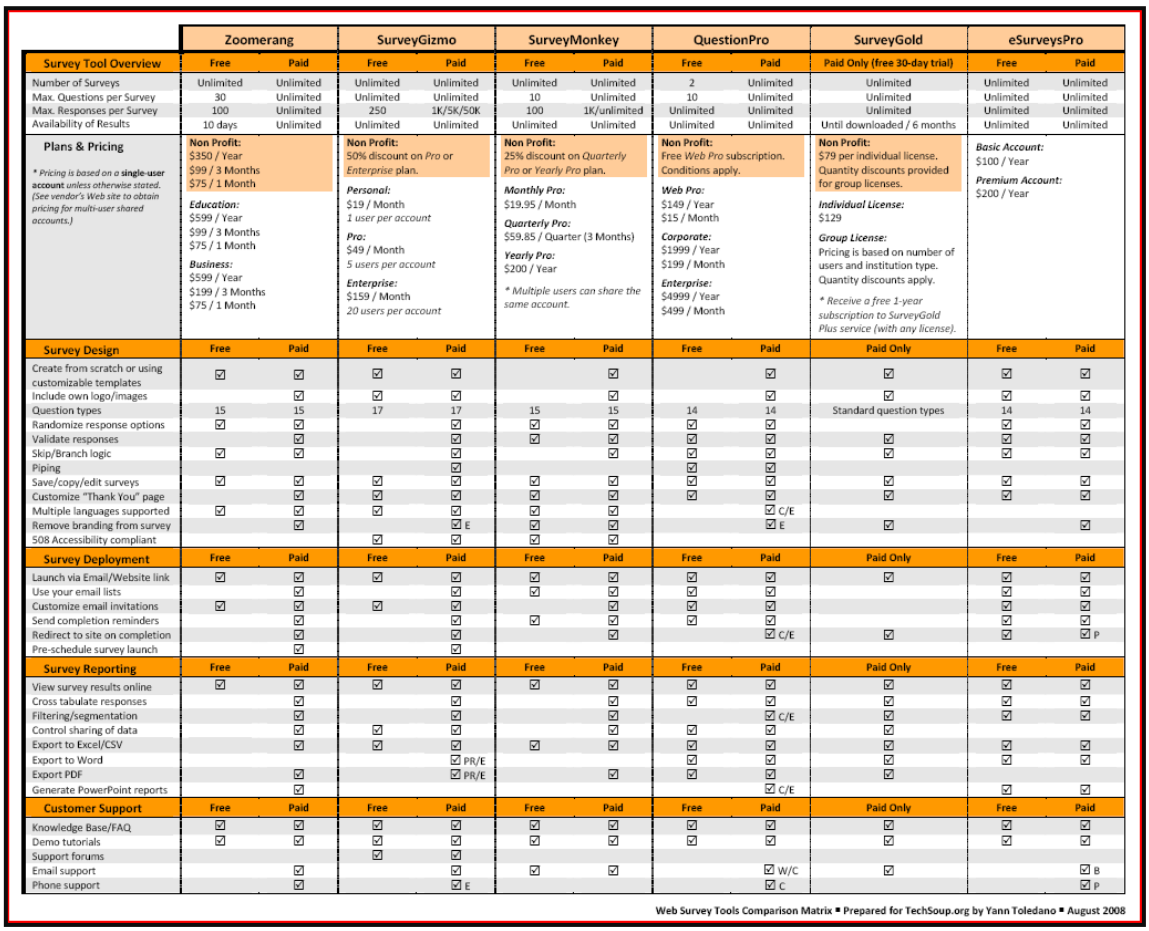
Recognising the limitations of forced rankings and as a means to validate the research instrument, question 18 asks the respondent to suggest any questions that should have been asked and what their response would be. Any additional comments are also invited.

The number and complexity of the questions is limited to keep within a 10 – 12 minute duration survey.

3.4. Research Procedures

As personal circumstances had changed, changing the professional interaction with the research population, specifically moving out of a BPO governance role, access to a sample audience is achieved through professional networking on several levels. The sample is drawn from a personal network of ex-colleagues, a personal network of BPO providers, a personal broader network of shared services and outsourcing professionals and a professional network.

The sample needs to be large enough to be statistically significant and broad enough to avoid any limitations of common experiences. This is best satisfied using automated techniques, which also address challenges presented by time zone and availability of busy professionals. As the professionals concerned "live out of suitcases" but must be effective when travelling away from base locations, it is assumed a web-based survey is appropriate. Requirements for selecting an online survey tool include ease of use, cost, retention of data, reliability, trust and download data options. Heidtke's (2008) review (Figure 20) points toward SurveyGizmo or SurveyMonkey. Colleagues reported positive experiences with SurveyMonkey. Being a popular survey tool, based on personal and colleagues experience, SurveyMonkey was selected. It meets all the requirements, including trust. The trust aspect is important in avoiding respondents' concerns over SPAM or malware.



	Zoomerang		SurveyGizmo		SurveyMonkey		QuestionPro		SurveyGold	eSurveysPro	
Survey Tool Overview	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Paid Only (free 30-day trial)**	**Free**	**Paid**
Number of Surveys	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	2	Unlimited	Unlimited	Unlimited	Unlimited
Max. Questions per Survey	30	Unlimited	Unlimited	Unlimited	10	Unlimited	10	Unlimited	Unlimited	Unlimited	Unlimited
Max. Responses per Survey	100	Unlimited	250	1K/5K/50K	100	1K/unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Availability of Results	10 days	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Until downloaded / 6 months	Unlimited	Unlimited
Plans & Pricing ** Pricing is based on a **single-user account** unless otherwise stated. (See vendor's Web site to obtain pricing for multi-user shared accounts.)*	**Non Profit:** $350 / Year $99 / 3 Months $75 / 1 Month ***Education:*** $599 / Year $99 / 3 Months $75 / 1 Month ***Business:*** $599 / Year $199 / 3 Months $75 / 1 Month		**Non Profit:** 50% discount on *Pro* or *Enterprise* plan. ***Personal:*** $19 / Month *1 user per account* ***Pro:*** $49 / Month *5 users per account* ***Enterprise:*** $159 / Month *20 users per account*		**Non Profit:** 25% discount on *Quarterly Pro* or *Yearly Pro* plan. ***Monthly Pro:*** $19.95 / Month ***Quarterly Pro:*** $59.85 / Quarter (3 Months) ***Yearly Pro:*** $200 / Year ** Multiple users can share the same account.*		**Non Profit:** Free *Web Pro* subscription. Conditions apply. ***Web Pro:*** $149 / Year $15 / Month ***Corporate:*** $1999 / Year $199 / Month ***Enterprise:*** $4999 / Year $499 / Month		**Non Profit:** $79 per individual license. Quantity discounts provided for group licenses. ***Individual License:*** $129 ***Group License:*** Pricing is based on number of users and institution type. Quantity discounts apply. ** Receive a free 1-year subscription to SurveyGold Plus service (with any license).*		***Basic Account:*** $100 / Year ***Premium Account:*** $200 / Year
Survey Design	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Paid Only**	**Free**	**Paid**
Create from scratch or using customizable templates	☑	☑	☑	☑		☑		☑	☑	☑	☑
Include own logo/images		☑	☑	☑		☑		☑	☑	☑	☑
Question types	15	15	17	17	15	15	14	14	Standard question types	14	14
Randomize response options	☑	☑		☑	☑	☑	☑	☑		☑	☑
Validate responses		☑		☑	☑	☑	☑	☑	☑	☑	☑
Skip/Branch logic	☑	☑		☑		☑	☑	☑	☑	☑	☑
Piping				☑			☑	☑			
Save/copy/edit surveys	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Customize "Thank You" page		☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Multiple languages supported	☑	☑	☑	☑	☑	☑		☑ C/E			
Remove branding from survey		☑		☑ E	☑	☑		☑ E	☑		☑
508 Accessibility compliant			☑	☑	☑	☑					
Survey Deployment	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Paid Only**	**Free**	**Paid**
Launch via Email/Website link	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Use your email lists		☑		☑	☑	☑	☑	☑		☑	☑
Customize email invitations	☑	☑	☑	☑		☑	☑	☑		☑	☑
Send completion reminders		☑		☑	☑	☑	☑	☑		☑	☑
Redirect to site on completion		☑		☑		☑		☑ C/E	☑	☑	☑ P
Pre-schedule survey launch		☑		☑							
Survey Reporting	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Paid Only**	**Free**	**Paid**
View survey results online	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Cross tabulate responses		☑		☑		☑	☑	☑	☑	☑	☑
Filtering/segmentation		☑		☑		☑		☑ C/E	☑	☑	☑
Control sharing of data		☑	☑	☑		☑	☑	☑	☑		
Export to Excel/CSV		☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Export to Word				☑ PR/E			☑	☑	☑	☑	☑
Export PDF		☑		☑ PR/E		☑	☑	☑	☑		
Generate PowerPoint reports		☑						☑ C/E		☑	☑
Customer Support	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Free**	**Paid**	**Paid Only**	**Free**	**Paid**
Knowledge Base/FAQ	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Demo tutorials	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Support forums			☑	☑							
Email support		☑		☑	☑	☑		☑ W/C	☑		☑ B
Phone support		☑		☑ E				☑ C			☑ P

Web Survey Tools Comparison Matrix ▪ Prepared for TechSoup.org by Yann Toledano ▪ August 2008

Figure 20 Comparison of Online Survey Tools (Heidtke, 2008)

A professional licence is required to enable a survey with more than ten questions and customisation of invitation e-mails.

The survey was built online using a wizard style interface to select question styles and validate responses. SurveyMonkey simplify building the survey with the inclusion of some common question sets, such as demographics, which can be tailored to the needs of the individual survey (e.g. question 1). Building took place during late May and early June 2009. Testing was conducted initially personally and subsequently by colleagues experienced in creating surveys. SurveyMonkey provides a testing mechanism allowing a preview of the survey to be accessed and completed online, without storing the results. The testing includes the e-mail notification function. Colleagues were able to realistically confirm the time taken to complete the survey is within the intended 10 to 12 minute limit self-imposed during the design.

SurveyMonkey uses a "collector" to apply common data gathering approaches and rules to a particular sample group. Only two collectors were required for this survey. The first is for

recipients of the survey by e-mail, which provides a personal link for the respondent. The second is for the invitation to respond posted in online forums, restricting access with a password. However as an easy means of checking response rates across the four personal and professional networks mentioned above, four collectors were created (Figure 21). Three collectors were addressed to recipients e-mail accounts and the fourth was published in professional forums.

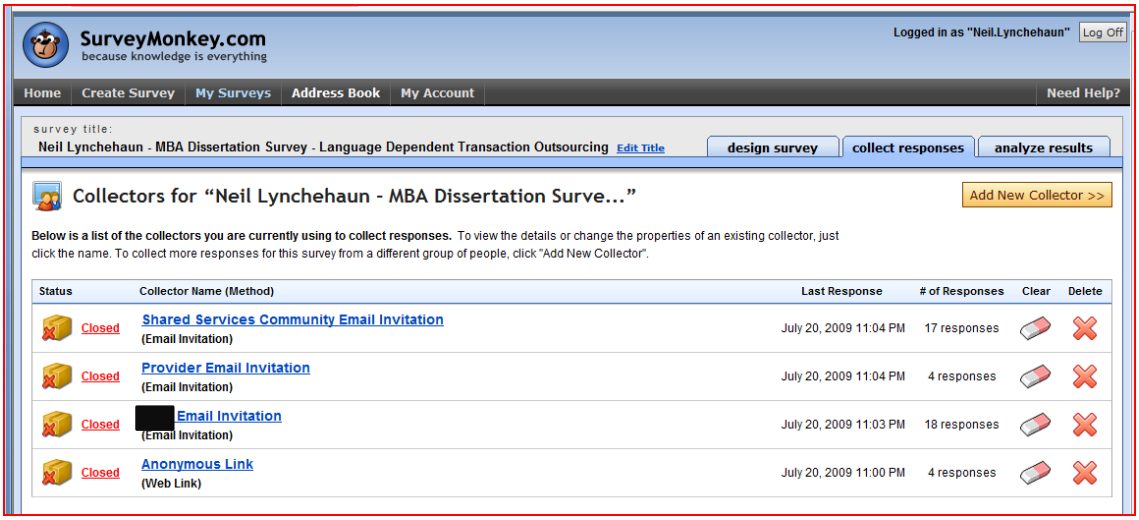
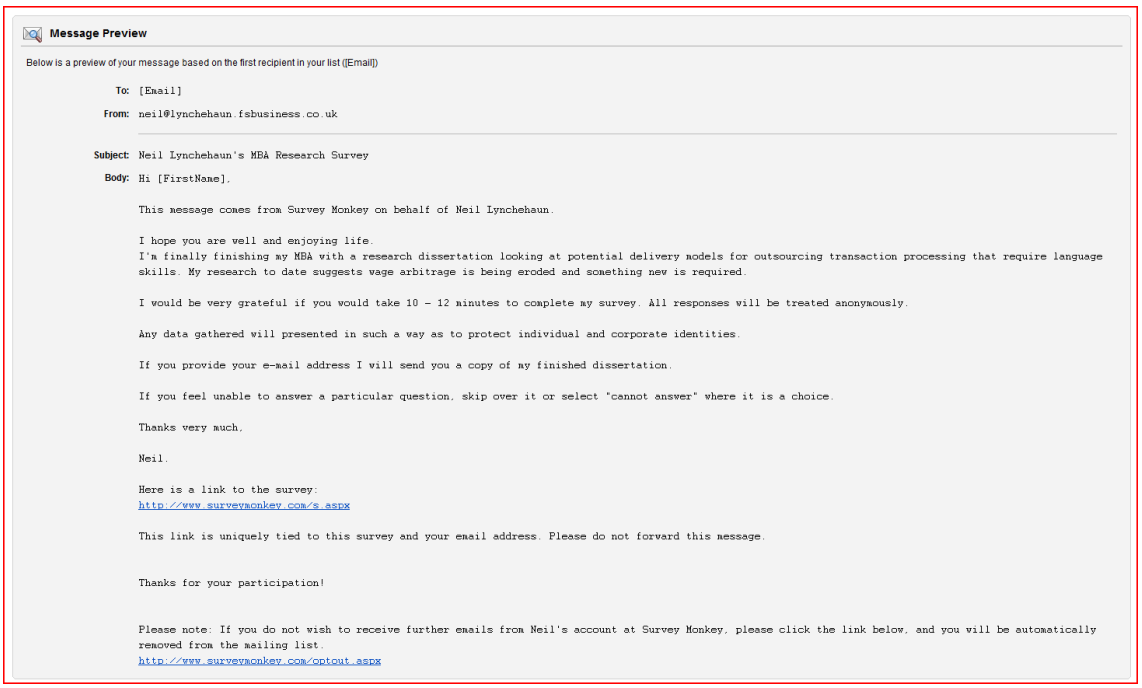


Figure 21 SurveyMonkey Data Collectors Used

The data for each survey is collated together regardless of the collector used. The survey collectors were open from July 12th, 2009. They closed automatically on July 20th, 2009. The survey was purposefully kept open for a short time to drive response rates, in case it fell out of busy professionals' immediate priorities. Its priority was artificially increased by driving urgency. For the same reason the collectors closed late Monday night UK time to allow the weekend refreshed professional a final opportunity to complete the survey on the Monday morning regardless of their time zone. Progress was checked several times every day.

All e-mail invitees received the same message (Figure 22) sent automatically from SurveyMonkey based on an addressee list specific to the collector, but drawn from a maintained address book.



Message Preview

Below is a preview of your message based on the first recipient in your list ([Email])

To: [Email]

From: neil@lynchehaun.fsbusiness.co.uk

Subject: Neil Lynchehaun's MBA Research Survey

Body: Hi [FirstName],

This message comes from Survey Monkey on behalf of Neil Lynchehaun.

I hope you are well and enjoying life.
I'm finally finishing my MBA with a research dissertation looking at potential delivery models for outsourcing transaction processing that require language skills. My research to date suggests wage arbitrage is being eroded and something new is required.

I would be very grateful if you would take 10 – 12 minutes to complete my survey. All responses will be treated anonymously.

Any data gathered will presented in such a way as to protect individual and corporate identities.

If you provide your e-mail address I will send you a copy of my finished dissertation.

If you feel unable to answer a particular question, skip over it or select "cannot answer" where it is a choice.

Thanks very much,

Neil.

Here is a link to the survey:
http://www.surveymonkey.com/s.aspx

This link is uniquely tied to this survey and your email address. Please do not forward this message.

Thanks for your participation!

Please note: If you do not wish to receive further emails from Neil's account at Survey Monkey, please click the link below, and you will be automatically removed from the mailing list.
http://www.surveymonkey.com/optout.aspx

Figure 22 E-mail Invitation to Survey Participants

The broader professional network was invited to participate via a message (Figure 23) posted on several appropriate LinkedIn[5] forums created by interested professionals. The forums chosen were: -

- FDE shared services & outsourcing (subgroup of Finance Director Europe – CFO & FD network)
- Shared services & BPO network
- Shared Services and Outsourcing Network (SSON).

[5] LinkedIn (www.linkedin.com) is an interconnected network of experienced professionals from around the world, representing 170 industries and 200 countries, where professionals can meet and collaborate to accomplish their goals (LinkedIn, 2008).

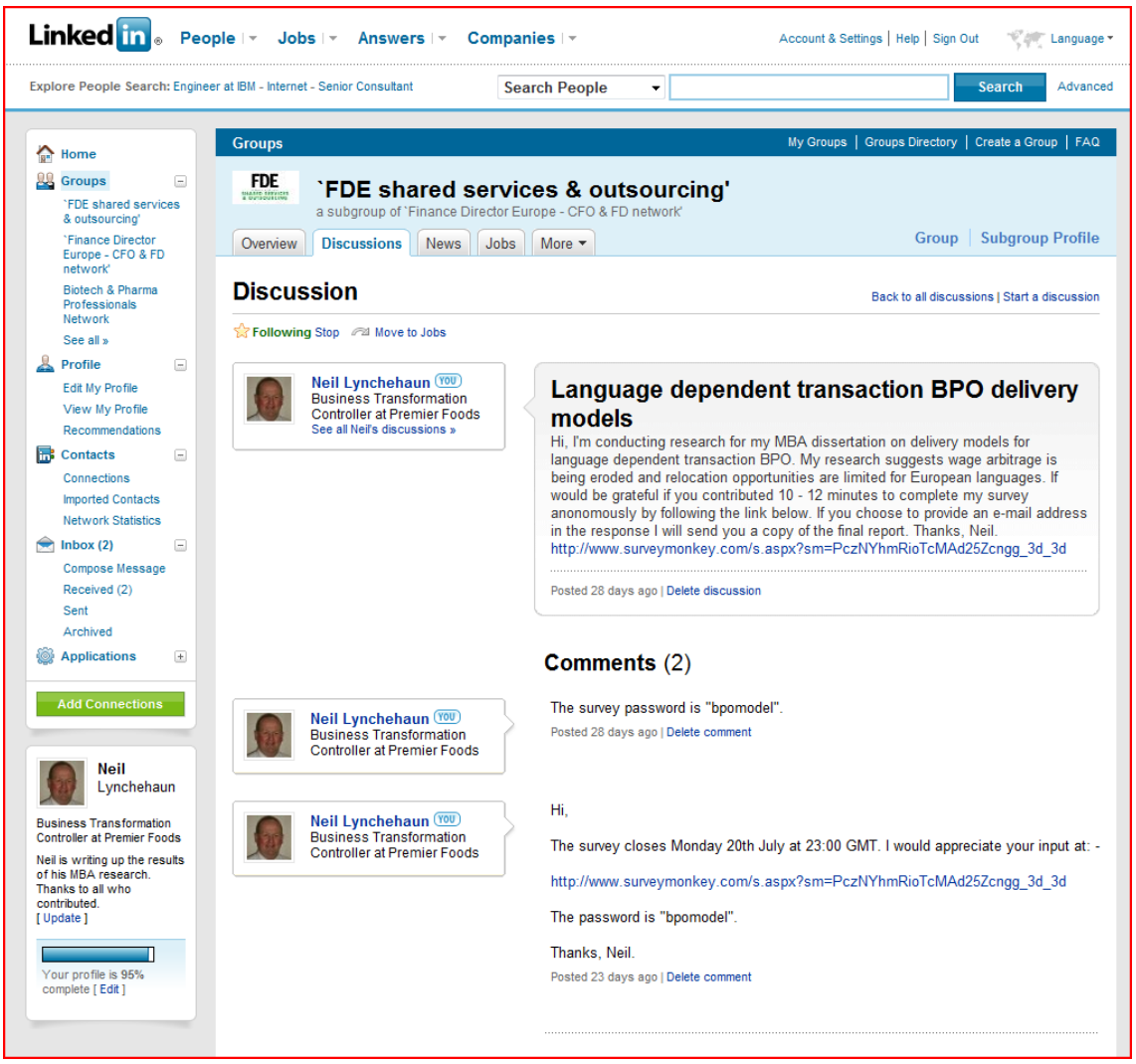


Figure 23 Example Web Forum Survey Invitation

A reminder e-mail was sent on Friday July 17th, 2009 to e-mailed participants that had not yet responded. SurveyMonkey provides automated functionality for this, avoiding the need for much effort in administrating the survey. The message was very similar to the initial invitation, but advised in the subject line that the survey closes on the following Monday. The same message content was posted on the LinkedIn to bring the discussion thread back to the top of the three forums.

Upon closing, the collected data was downloaded in every permutation offered by SurveyMonkey (detail/summary, expanded/condensed, file format) to secure the data. As the data has been replicated onto the home p.c., replicated onto an employer's laptop and copied onto a flash drive, the risk of data loss of SurveyMonkey has been mitigated and the professional subscription can be terminated.

The downloaded results are analysed using MS Excel workbooks, Excel pivot tables,

confidence levels using Creative Research Systems online calculator[6] and Minitab statistical software. The possibility to use Minitab is limited by there being one sample and no control group. The detailed, condensed SurveyMonkey data, downloaded in MS Excel format is most suitable for copying both ordinal and nominal data directly into Minitab. Where ordinal data is used, for example "dislike", "like", "love" captured as "1", "2" and "3" respectively attention to the ordinals used by SurveyMonkey is required. The data downloaded for similar questions on occasions uses "0" (zero) to represent "cannot answer" and sometimes uses the next highest ordinal such as "6" on a 5 point Likert scale.

All data downloaded from SurveyMonkey is kept in its raw form. For each analysis the necessary extract of data is copied onto a new worksheet to maintain data integrity. Several data need cleansing such as the removal of "none" in response to questions such as "other – please specify". Some nominal data requires effort to create tables of instances, that is in simple terms it needs counting. The SurveyMonkey data needs little other manipulation.

The timelines for this dissertation were planned using MS Project. It was difficult to respect the plan deadlines as personal time and the research methodology were influenced by factors completely beyond personal influence. Examples include periods when global project work created fourteen hour working days for up to three months at a time, periods of excessive travel such as working in the USA (UK is home) for a week every month and ultimately change of employer. Motivation was adversely affected by attempting to keep to a planned deadline with little influence over circumstances (Covey, 1989). Instead possibilities for creating available time to progress systematically were explored, such as commuting to work by train rather than driving, planning holidays to suit and working late at night. This change of concern became more controllable and motivational. The sequence and outputs were very well documented in the Page's (2005) handbook in bite-size sections that could be achieved grabbing an hour on a train or after bed time. Consequently the Gantt chart has been abandoned in favour of the handbook, holiday calendar and hard choices about social activities. Progress meetings with a colleague facing similar challenges whilst studying an MBA helped drive output.

A dissertation supervisor recommended using the outline view of MS Word to simplify capturing ideas into a dissertation structure. This worked well initially until the word count started to rise significantly. Switching to the print layout helped to ensure the formatting of

[6] Creative Research Systems Online Calculator - http://www.surveysystem.com/sscalc.htm#one

the dissertation was correct during progress rather than as a review exercise. Page (2005) recommends setting up templates and using MS Word's cross referencing and captioning tools early on. A template was created, and proved very effective, fully automating table of content and formatting for example. The cross referencing and captioning functionality of MS Word 2007 could not be used until the final draft, due to backward compatibility to the employer's 2003 version of MS Word, which was a reasonable compromise to gain more time.

There was an experiment with Dragon Naturally Speaking voice interpretation software as an efficiency enabler. It was discarded when change in ambient sound required the software to be retrained to recognise the peculiarities of the individual voice.

3.5. Ethical Considerations

Collis and Hussey (2003) advise there are no written code of ethics for business research, but recommend consideration to the subject firm, confidentiality/anonymity, informed consent, dignity and publication.

There is no single subject firm to consider and the corporate associations of the respondents are kept confidential.

The survey treats all responses as anonymous. This will allow less subjective or contextual bias in responses, in the form of personal opinions rather than corporate opinions. Data has been gathered that identifies the respondents. This data is not included in this dissertation nor will it be revealed to any other party. It has been gathered purely to enable the final report to be distributed to those taking up the incentive. This treatment of identities was promised to the respondents via the invitation messages and in the body of the survey.

The purpose of the survey was notified with every participant. Participation was volunteered with this information.

While the intended methodology was in the phenomenological paradigm using a case study approach, permission to publish would have to have been sought. It was normal for confidentiality disclaimers to have been included in the dissertation and its circulation

restricted. Since both the employer and methodology have changed to remove any sensitivity, there are no issues around publishing other than personal choice.

Fisher (2004) also suggests ethical consideration to objectivity and disinterestedness at the data collection stage. Since becoming more remote to the research topic it is easier to demonstrate this ethic, with only a genuine desire to learn.

3.6. Summary

Chapter three has justified the selected research methodology, the epistemological paradigm and methods used in the research. The rejection of phenomenological paradigm has been explained. The design for collecting primary data through an online survey was discussed, as was the means of selecting the sample. The survey design was demonstrated to reflect the specific research questions and test assumptions arising in chapters one and two and to reflect the conceptual model. The chapter continued to describe the procedures and tools selected to administer the research and to some extent create this dissertation. Consideration was also given to ethical issues in business research.

With the methodology justified and the design and procedures described the dissertation will proceed with the presentation and analysis of the gathered data.

Chapter 4. Findings

4.1. Introduction

Chapter four presents the results of the research described in chapter three. The results will be analysed for their relevance to the research questions or hypotheses only. Chapter five discusses the findings and their context within the literature and generalisations.

4.2. Applications of Methodology

The selected methodology, justified is section 3.2.1 is positivistic. Current theory has been surveyed in chapter 2, building theory presenting as a conceptual model and several specific hypotheses addressing the research problem, introduced in chapter one. The hypotheses are tested using data gathered through a survey open to a sample of the European shared services and outsourcing professional population. The data gathered is analysed to prove or disprove the formulated hypotheses.

4.3. Findings for Research Question

The summary report data provided by SurveyMonkey for all the survey questions can be found in the appendices. The data presented for Question 1 in Appendix 7 has been modified to suppress the names and e-mail addresses of respondents in respect of the anonymity promised.

4.3.1. Respondents

The number of respondents for each collector is provided in Table 6 as reported from the SurveyMonkey accompanied by a calculation of the response rate expressed as percentage. The membership of the professional forums invited via forum postings is unknown. Consequently a response rate cannot be calculated. Several of the respondents (14) did not answer all the questions.

Number of Respondents						
Collector	Invitation	Invited	Responded			
			Partial	Complete	**Total**	**Responses as % of invited**
Ex-colleagues	e-mail	31	8	10	**18**	**58%**
BPO providers from previous collaboration	e-mail	7	1	3	**4**	**57%**
Other personal network members	e-mail	25	4	13	**17**	**68%**
Broader professional groups	Forum posting	Open	1	3	**4**	**N/A**
Total			**14**	**29**	**43**	

Table 6 Number of Respondents to Survey (source: primary data)

4.3.2. Pace of Response

The response date is automatically captured by the SurveyMonkey solution and reported back with the survey data collected (Appendix 7). The response rate per day and the calculated cumulative response rate are presented here in (Figure 24).

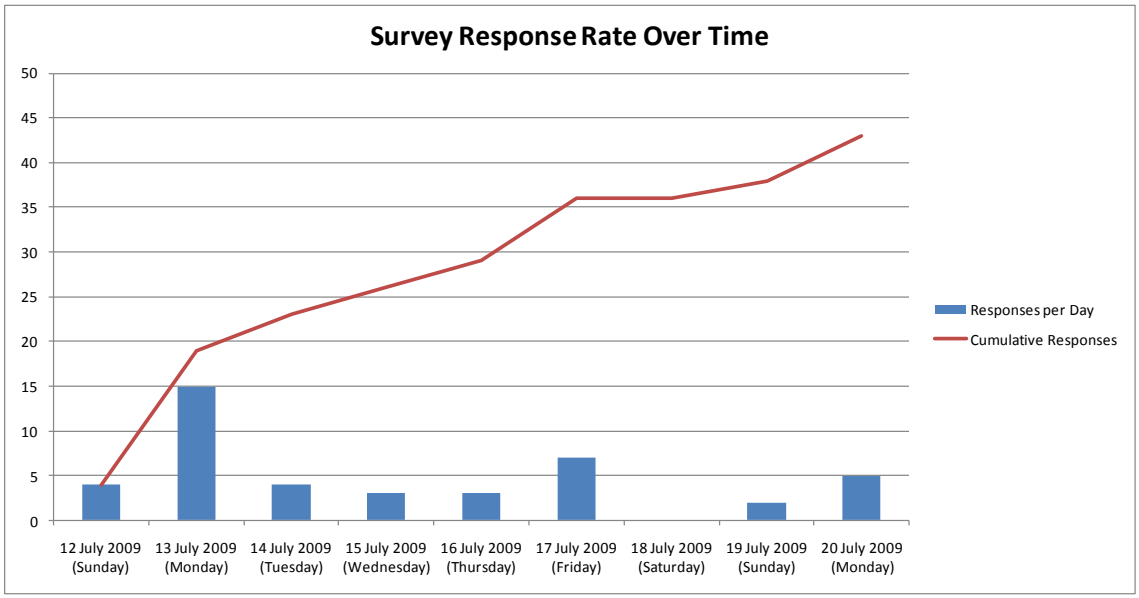


Figure 24 Survey Response Rate Over Time

4.3.3. Confidence Interval

Although it is not normal to present theory in the findings (Collis and Hussey, 2003) the sample size is worthy of discussion to understand the confidence in the subsequent data analysis.

The total population of European shared services and outsourcing professionals (the unit of analysis) is unknown. It is therefore unknown what portion of the population the sample size represents. As the sample size approaches the total population size, greater confidence can be held that the sample would produce the same result as the population (George et al, 2005). This is expressed in two parts: the confidence level and the confidence interval. The confidence interval or sensitivity is the measure of accuracy either side of the measured figure, expressed as percentage points. E.g. in the statement "82% of schoolboys prefer football to rugby, give or take 3%" the 3% is the confidence interval and indicates that the statement actually means in the range of 79% to 85% of schoolboys prefer football to rugby. The confidence level is well named in that it provides a level of "trueness" of the asserted data.

The population size can be ignored for anything other than a very small population, with regard to the sample size (Creative Research Systems, 2007). The sample size is relevant in determining the confidence interval of the findings. The following formula can be use to determine the confidence interval for non-continuous or proportional data (Brussee, 2004).

$$h = 1.96 \sqrt{\frac{(p)(1-p)}{n}}$$

n – is the sample size
p – is the probability of agreement expressed as a decimal. (Worst case is 50% agreement.)
h – is the confidence interval or sensitivity expressed as a decimal.
The value 1.96 is referred to as the Z-value. It represents the number of standard deviations about the mean of a normal distribution bound 95% of the area under the curve. It is the value used for calculating the confidence interval when a 95% confidence level is required.

Calculated Confidence Intervals for a Sample of 43 and Confidence Levels of 95%				
Confidence Level	Z-Value	Sample Size	Probability (of agreement)	Confidence Interval (calculated)
95%	1.96	43	50%	15%
95%	1.96	43	55%	15%
95%	1.96	43	60%	15%
95%	1.96	43	65%	14%
95%	1.96	43	70%	14%
95%	1.96	43	75%	13%
95%	1.96	43	80%	12%
95%	1.96	43	85%	11%
95%	1.96	43	90%	9%
95%	1.96	43	95%	7%
95%	1.96	43	100%	0%

Table 7 Confidence Intervals for Sample Size of 43 (adapted from Brussee, 2004)

4.3.4. Demographic Data

As question 1 (Appendix 7) is mandatory, all respondents provided the country in which their business transaction processing operation is primarily based (Figure 25). Of the 43 respondents 2 did not provide their name or e-mail address and a further 2 provided their names, but not their e-mail addresses. This data has been suppressed in Appendix 1 to respect the anonymity promised in the invitation.

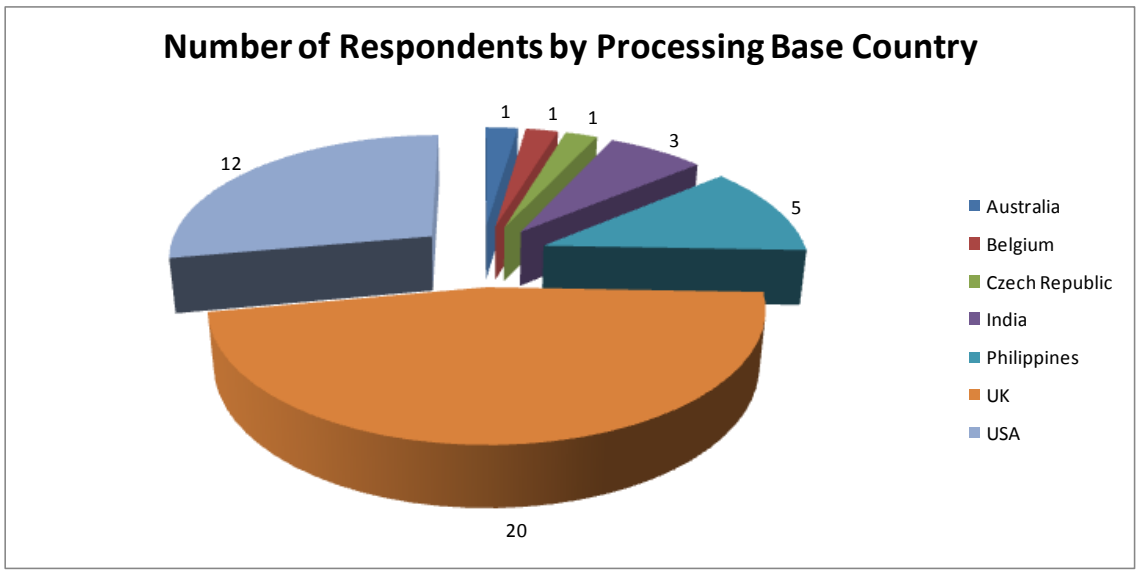


Figure 25 Respondents by Processing Base Country (source: survey question 1)

Similarly question 2 is mandatory. All respondents provided the industry sector of their business, selected from the UK National Statistics Office Standard Industry Classification 2007 "SIC 2007" (National Statistics Office, 2007). The SIC 2007 categories and the full response data are presented in Appendix 8 and summarised here (Figure 26). The respondents selected eight different sectors under the SIC 2007 classification, from a variety of sectors. There were no respondents from agriculture, mining, utilities, construction, vehicle sales or repair, accommodation, logistics, real estate, administration, education, home business or extraterritorial (e.g. UN or OPEC).

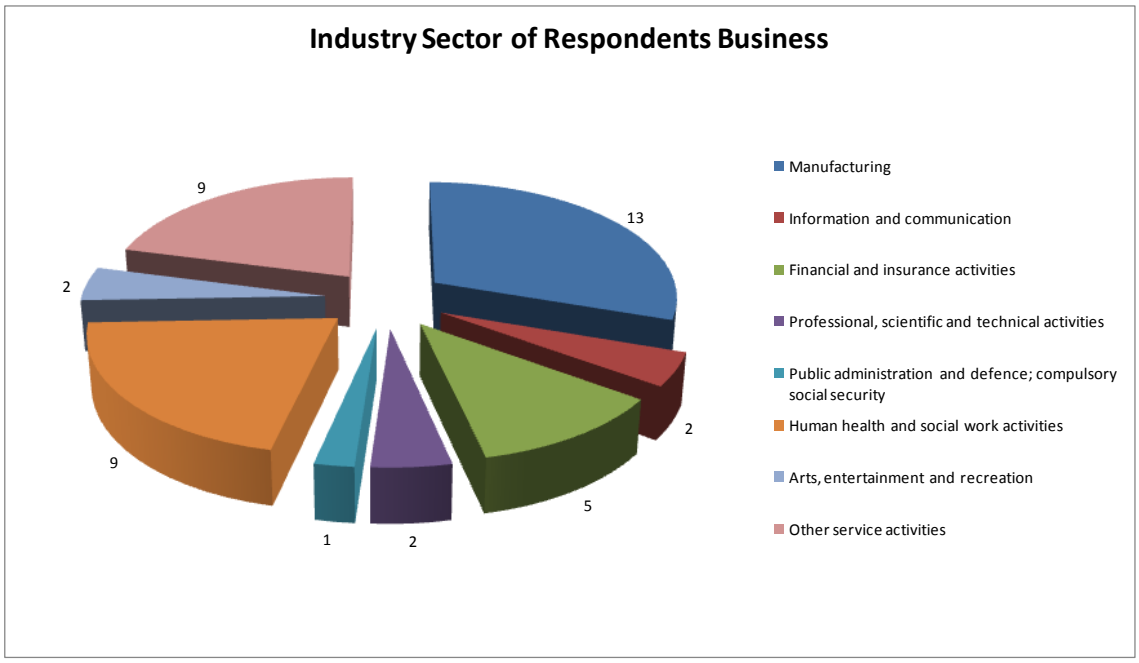


Figure 26 Respondent's Industry Sector (source: survey question 2)

Question 3 regarding the turnover of the respondents business is not mandatory, should it be sensitive to reveal turnover to an external party at the time of the survey. The responses are tabulated in Appendix 9 and presented here (Figure 27). Of the 43 respondents, 41 provided a response. There is representation by at least 2 respondents in all turnover bandings.

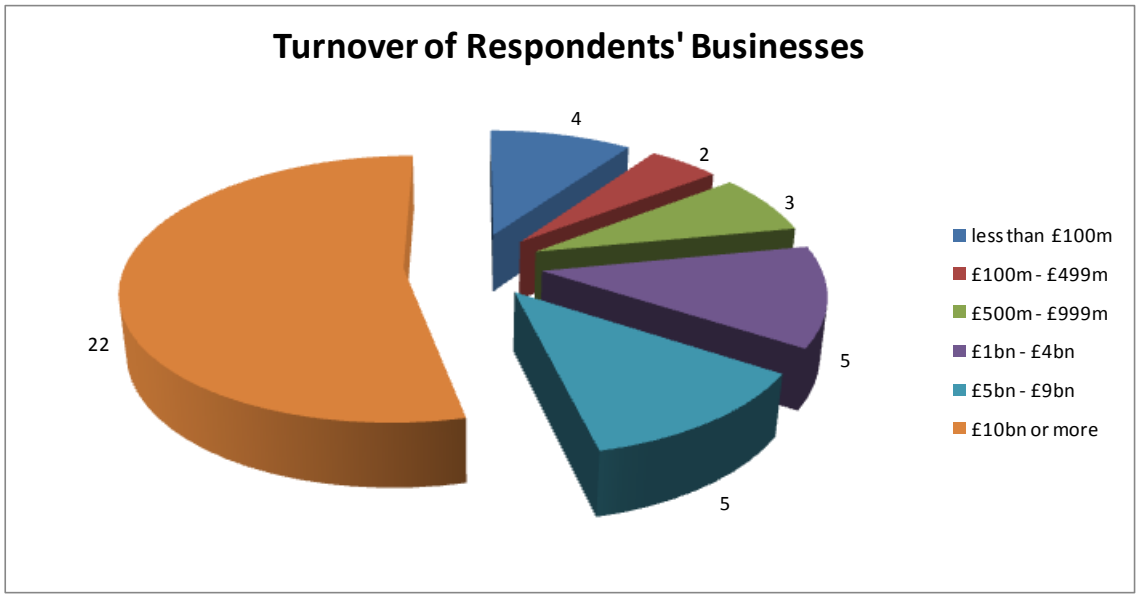


Figure 27 Respondents' Businesses Turnover for Number of Respondents (source: survey question 3)

4.3.5. Respondent Groupings

The respondent groupings are independent variables for the hypotheses presented through the literature review in chapter two. That is, patterns in the responses to the survey questions for each hypothesis may be related to the grouping the respondents belong to and their businesses shared services strategy.

The unit of analysis, defined in section 3.2.3, the European shared services and outsourcing professional. The composition of the group is used as an independent variable in subsequent analysis. Response to question 4 is mandatory. The table of responses is presented in Appendix 10 and here in figure (Figure 28).

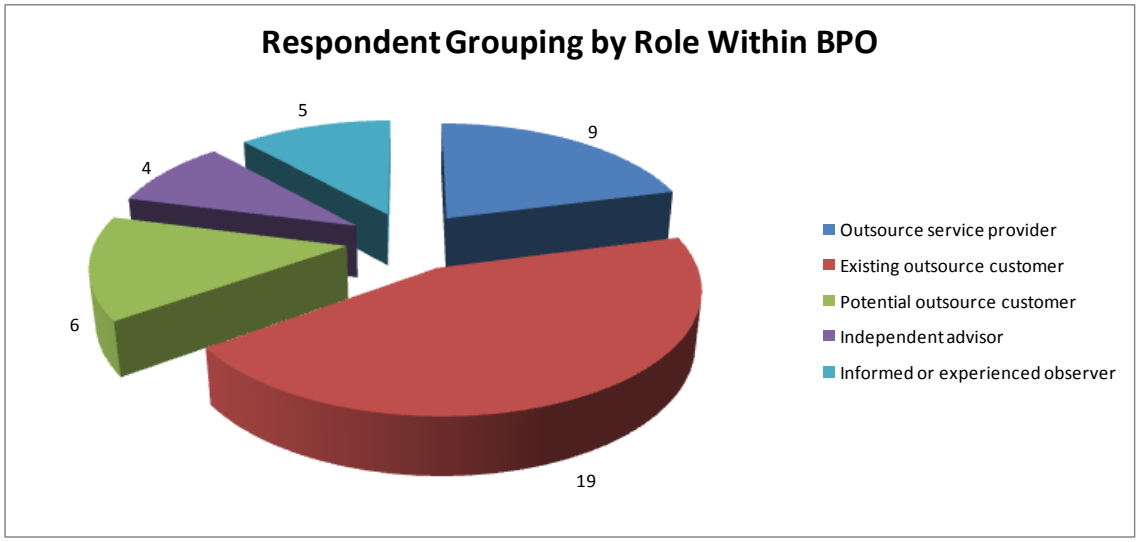


Figure 28 Respondents Role within BPO - Number of Respondents (source: survey question 4)

The grouping data has been collected at a granular level to be able to enable analysis of variations between potential BPO customers and existing BPO customers. This data is also appropriately aggregated into three groups (Table 8).

Aggregation of Respondent Groups (Number of Respondents)			
Granular		Aggregated	
Outsource service provider	9	Provider	9
Existing outsource customer	19	Customer	25
Potential outsource customer	6		
Independent advisor	4	Independent	9
Informed or experienced observer	5		

Table 8 Aggregated Grouping of Respondents - Number of Respondents (source: survey question 4)

The strategy towards shared services in the respondents' businesses is an independent variable used in subsequent analysis. Response to question 5 is mandatory. The table of responses is presented in Appendix 11 and here in figure (Figure 29).

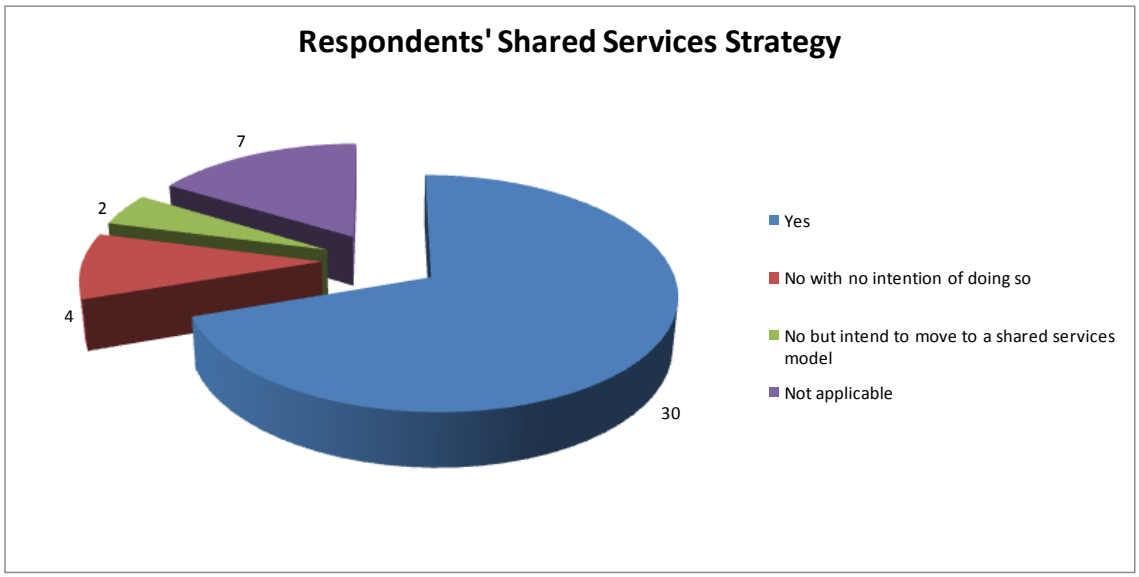
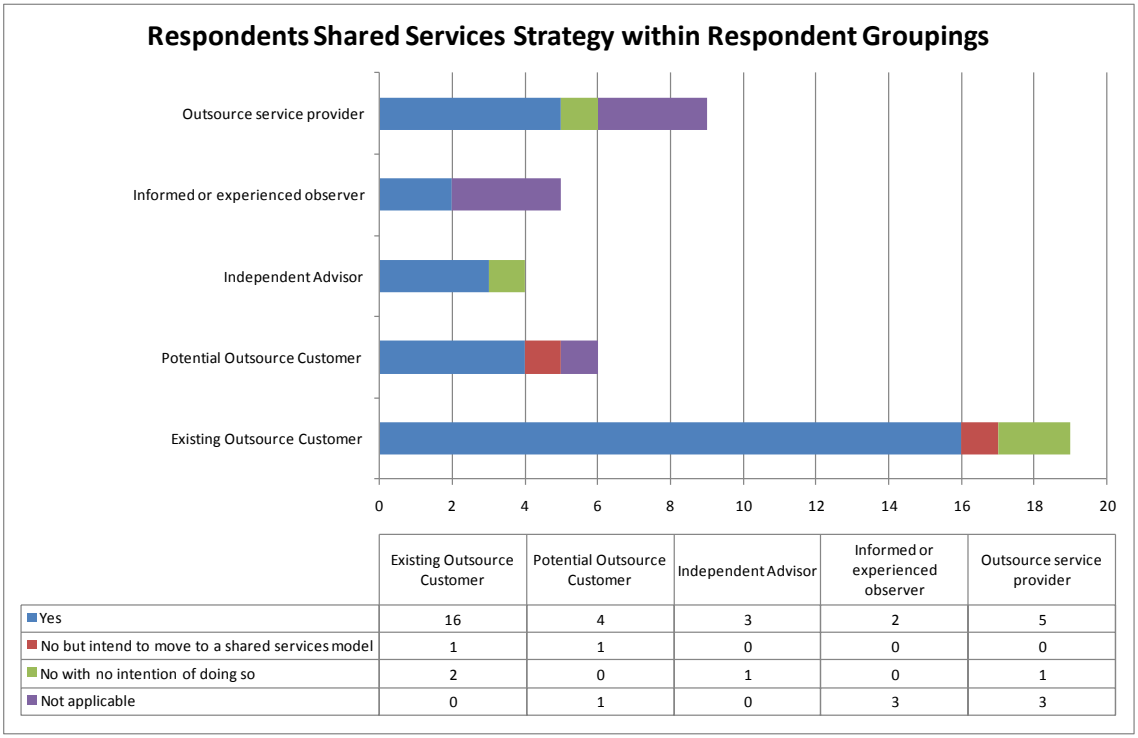


Figure 29 Respondents' Shared Services Strategy - Number of Respondents (source: survey question 5)

As the literature review builds a relationship between shared services and outsourcing the respondents' grouping and their business' shared services strategy are analysed here together. The raw data extracted from the survey is presented in Appendix 12 and in graphical form here (Figure 30).



	Existing Outsource Customer	Potential Outsource Customer	Independent Advisor	Informed or experienced observer	Outsource service provider
Yes	16	4	3	2	5
No but intend to move to a shared services model	1	1	0	0	0
No with no intention of doing so	2	0	1	0	1
Not applicable	0	1	0	3	3

Figure 30 Shared Services Strategy within Respondent Groupings

4.3.6. Language Dependent Transactional Scope

The transaction processes requiring language skills are captured by questions 6 and 7 of the survey. Question 6 allows the multiple selections from a pre-coded list of business transactions. The responses have been given broken down by the respondents grouping (Figure 31). Question 6 also allows "other" to be selected and an un-coded response to be entered. Responses such as "none" are included in the data reported from SurveyMonkey in Appendix 13, but are sanitised from the data used to prepare Figure 31 (Appendix 14).

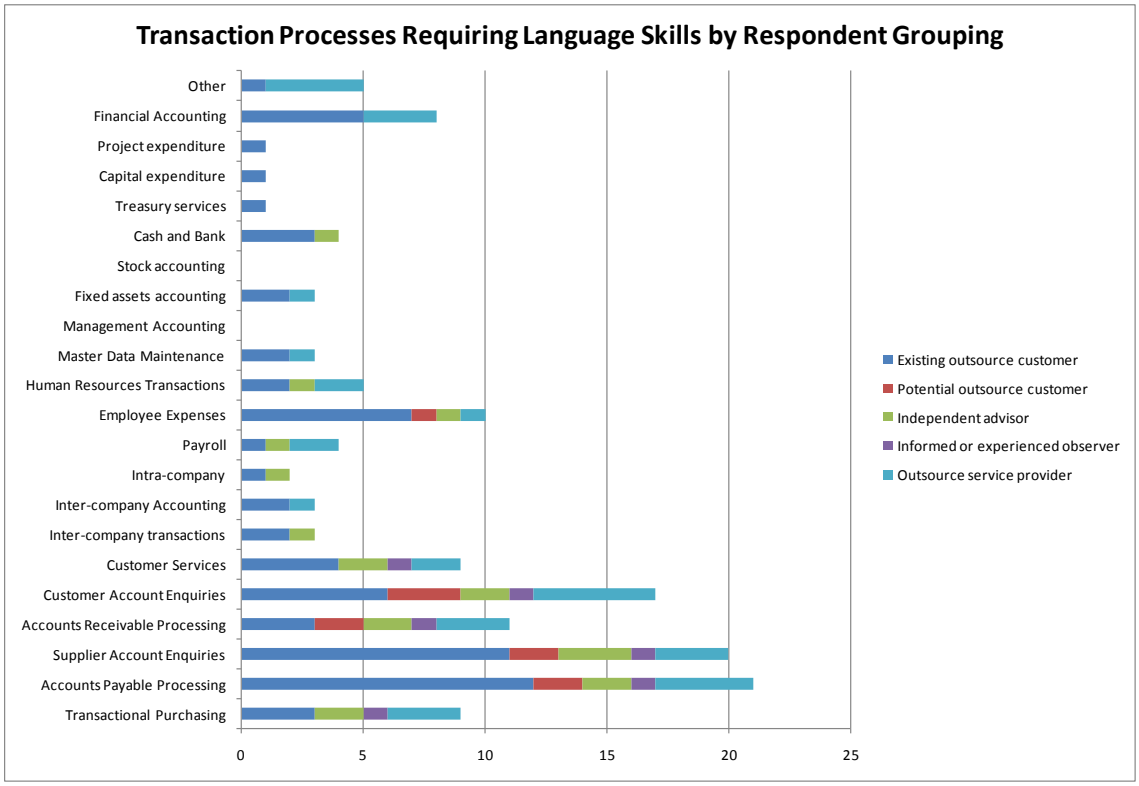


Figure 31 Transaction Processes Requiring Language Skills by Respondent Grouping - Number of Respondents (source: survey question 6)

Question 7 is open-ended, allowing respondents to specify any language dependent transactional processes that are specific to their business or sector. The 9 results are present below (Table 9), verbatim (Appendix 15). Only 1 (one) respondent from an existing customer has identified language dependent transactional processes that are specific to their business or sector.

Language Dependent Transactional Processes Specific to Respondent's Business or Sector		
Role	Shared Services	Specificity
Provider	N/A	Policy Review Policy Administration
Observer	N/A	We work closely with shared service centre and customer call centres so European languages with secondary skills are key
Potential customer	Yes	No
Advisor	Yes	Customer Services - Travel Industry
Provider	Yes	Writing Contracts and Negotiating them. Sales/Commercial.
Existing customer	Yes	Particular emphasis on project accounting - large values for Advertising & promotion and R&D. Also specific legal (local GAAP) accounting activities
Provider	Yes	Other services such as KPO (Knowledge Process Outsourcing) that have a strong language requirement. These include - Research and Analytics Services.
Observer	N/A	None

Table 9 Specific Language Dependent Transactional Processes (source: survey question 7)

Applying the confidence interval calculation (section 4.3.3) to this data it can be stated with 95% confidence that 95% (+/- 10%) of existing customers have no language dependent transactional processes specific to their business or sector where,

- the sample size (n) is 19 (existing customers),
- agreement (p) has sampled as 94.8% (18 null responses / 19 potential responses),
- confidence (Z-value) is set for 95% by using value 1.96.

If the logic is extended to included existing and potential customers it can be stated with 95% confidence that 96% (+/- 8%) of existing customers have no language dependent transactional processes specific to their business or sector where,

- the sample size (n) is 25 (existing and potential customers),

- agreement (p) has sampled as 96% (18 null responses / 25 potential responses),
- confidence (Z-value) is set for 95% by using value 1.96.

4.3.7. Language Utilisation

The survey respondents were asked to select the European languages required for their transactional processing. The survey was pre-coded with the official languages of Europe (Appendix 1) determined by the European Commission (EC). The respondents could also select other and provide other language information, recognising the European Commission does not represent the full geography or culture of Europe. The number of respondents selecting each EC language is provided here (Figure 32) and in the SurveyMonkey summary report (Appendix 16). All EC languages are required by at least 1 (one) of the 31 respondents with the exception of Maltese.

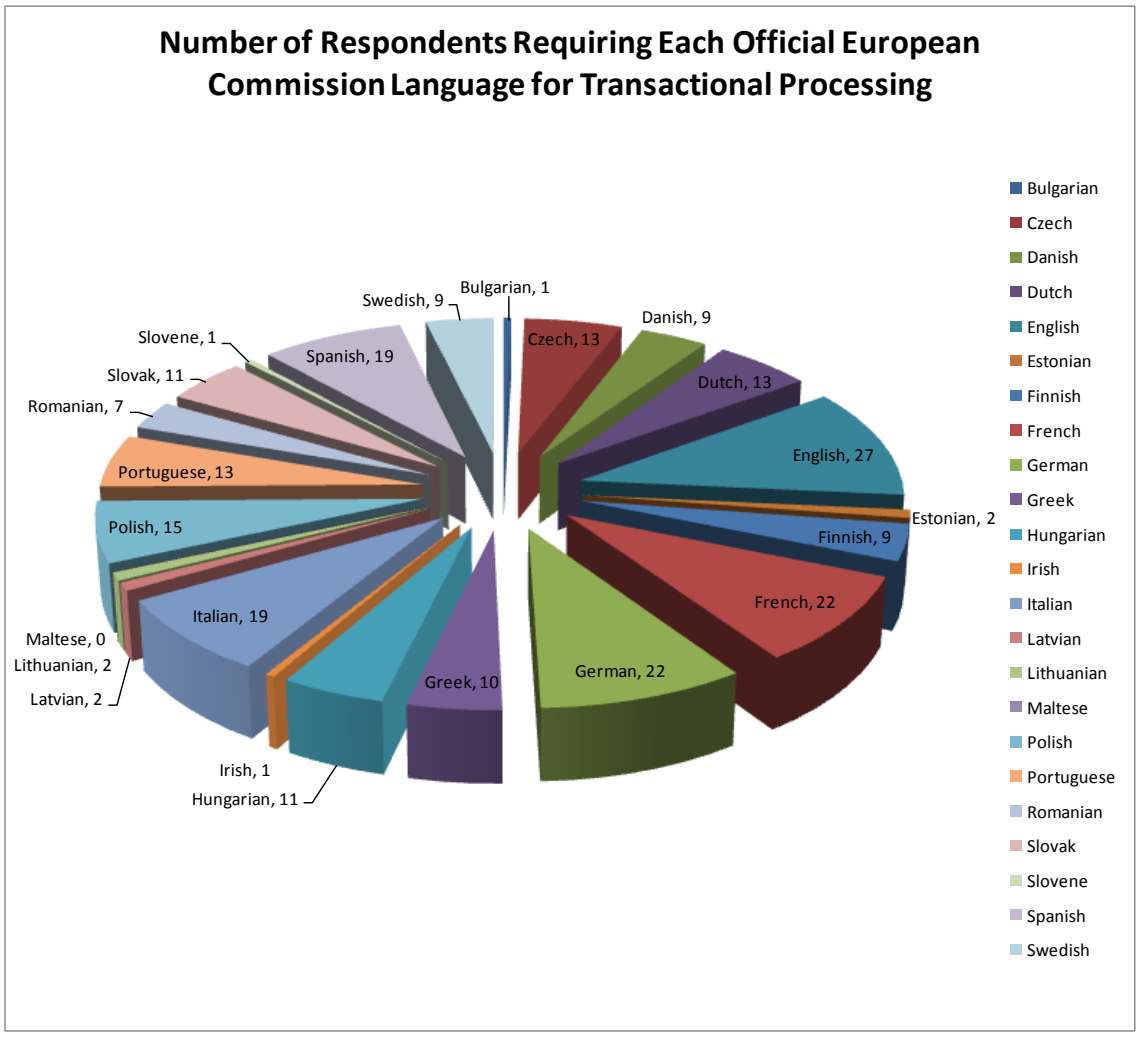


Figure 32 Number of Respondents Requiring Each European (EC) Language for Transactional Processing (source: survey question 8)

Respondents provided additional languages each mentioned by 1 (one) respondent. The languages are Welsh, Mandarin, Cantonese, Japanese, Thai, Indonesian, Malay, Vietnamese and Russian.

Questions 9 and 10 seek to identify patterns of under utilisation due to language requirements. Question 9 asks for what portion of transactional volume is language dependent and what percentage of the process activity is language dependent. The two responses are factored together to calculate a total language dependency. The absolute full time equivalent (FTE) resource that is under-utilised because there is insufficient individual language demand for the resource is collected through question 10. The responses have been tabulated below, along with the number of languages required by each respondents business provided from question 8. There are no satisfactory patterns, regressions or correlations in the data, hence the presentation in tabular form (Table 10). The SurveyMonkey summary reports for questions 9 and 10 are presented in Appendices 17 and 18 respectively.

Language Dependency and Utilisation								
Grouping	Share services	Number of Languages (Q8)	Transaction Volume Requiring Language % (Q9)	Portion of Process Requiring Language % (Q9)	Language Dependency % (Volume x Process)	FTE	FTE Under Utilised	FTE Under Utilised % of FTE Executing
Customer	Yes	7	100	50	50	45		0%
Customer	Yes	8	70	70	49	200	0	0%
Customer	Intending	3	60	60	36	6		0%
Customer	Yes	11	70	40	28	10		0%
Customer	Yes	14	50	40	20	18	2	11%
Customer	Yes	14	45	40	18	18		0%
Customer	Yes	7	50	35	18	70		0%
Customer	Yes	16	35	35	12		3	
Customer	Yes	12	30	30	9	50	10	20%
Customer	Yes	6	25	25	6	30	4	13%
Customer	Yes	14	30	10	3			
Customer	Yes	14	10	15	2	40		0%
Customer	Yes	6			0			
Customer	Yes	15			0			
Potential customer	Yes	1	100	100	100	100	0	0%
Potential customer	Yes	7	20	30	6	10	2	20%
Potential customer	Yes	5	10	10	1	12	0	0%
Potential customer	Yes	1			0			
Potential customer	Intending	1			0	20		0%
Advisor	Yes	6	80	80	64	100	10	10%
Advisor	No	3	20	20	4			
Advisor	Yes	1			0			
Observer	Yes	5			0			
Provider	Yes	13	40	50	20	500		0%
Provider	Yes	21	15	100	15	45	6	13%
Provider	N/A	6	30	20	6		20	
Provider	No	6	20	20	4	16	0	0%
Provider	Yes	1	5	5	0	4	0	0%
Provider	N/A	1			0			
Provider	N/A	1			0			
Provider	Yes	12			0			

Table 10 Language Dependency and Utilisation (source: survey questions 8, 9 and 10)

4.3.8. System Leverage

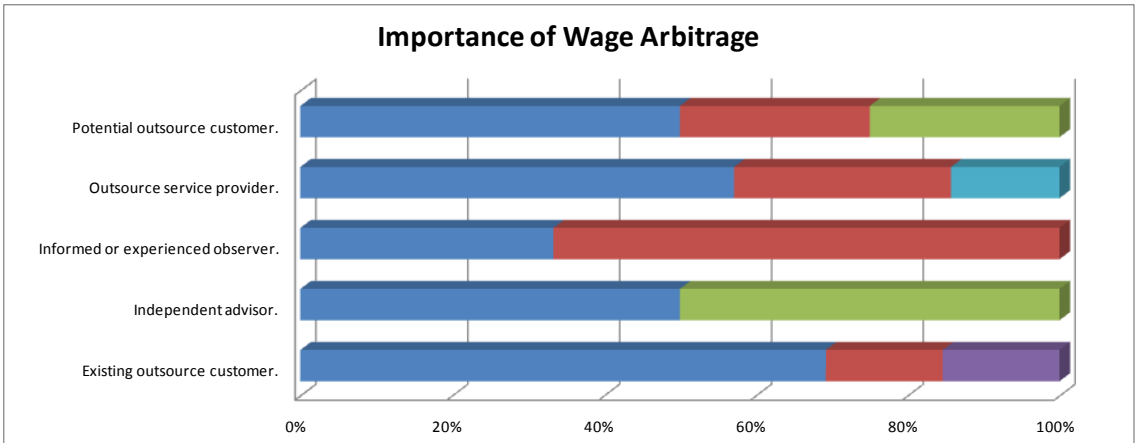
Respondents are asked in question 11 to evaluate the percentage reduction in FTE available using technology if the cost of technology was not a constraining factor and if the cost of technology must meet their normal cost justification standards. The response details are provided in Appendix 19. In response to what percentage of FTE could be reduced using

technology if cost were not a constraint, the average reported value was 35% with a large standard deviation of 37 reflecting the full range of values from 0% to 100%. In response to what percentage of FTE could be reduced using technology if cost must be justified by normal standards, the average reported value was 21% with a large standard deviation of 29 reflecting the broad range of values from 0% to 95%.

There is a difference of 14% points of FTE reduction between the two sets of answers. (Note zero values were included in the calculations where FTE data had been provided for questions 9 or 10. One response was excluded from this calculation.)

4.3.9. Wage Arbitrage

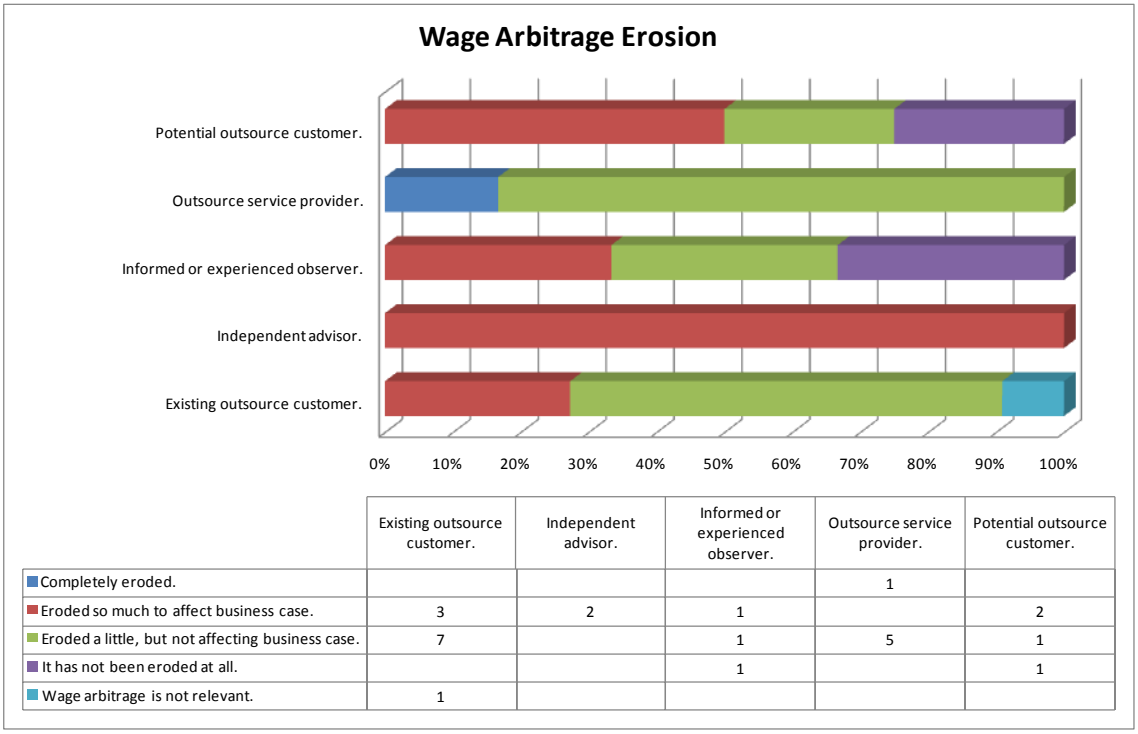
The importance of wage arbitrage to respondents is assessed through question 12 (Figure 33). The question was skipped by 10 respondents and a further 4 selected "cannot answer" (Appendix 20). Of the 29 respondents that assessing the importance 26 selected wage arbitrage as a primary, secondary or tertiary benefit. It can be stated with 95% confidence that wage arbitrage is a top three benefit for 90% (+/- 11%) of European shared services and outsourcing professionals.



	Existing outsource customer.	Independent advisor.	Informed or experienced observer.	Outsource service provider.	Potential outsource customer.
Primary benefit importance.	9	1	1	4	2
Secondary benefit importance.	2		2	2	1
Tertiary benefit importance.		1			1
Lesser benefit importance.	2				
No benefit linked to it.				1	

Figure 33 Importance of Wage Arbitrage (source: survey question 12)

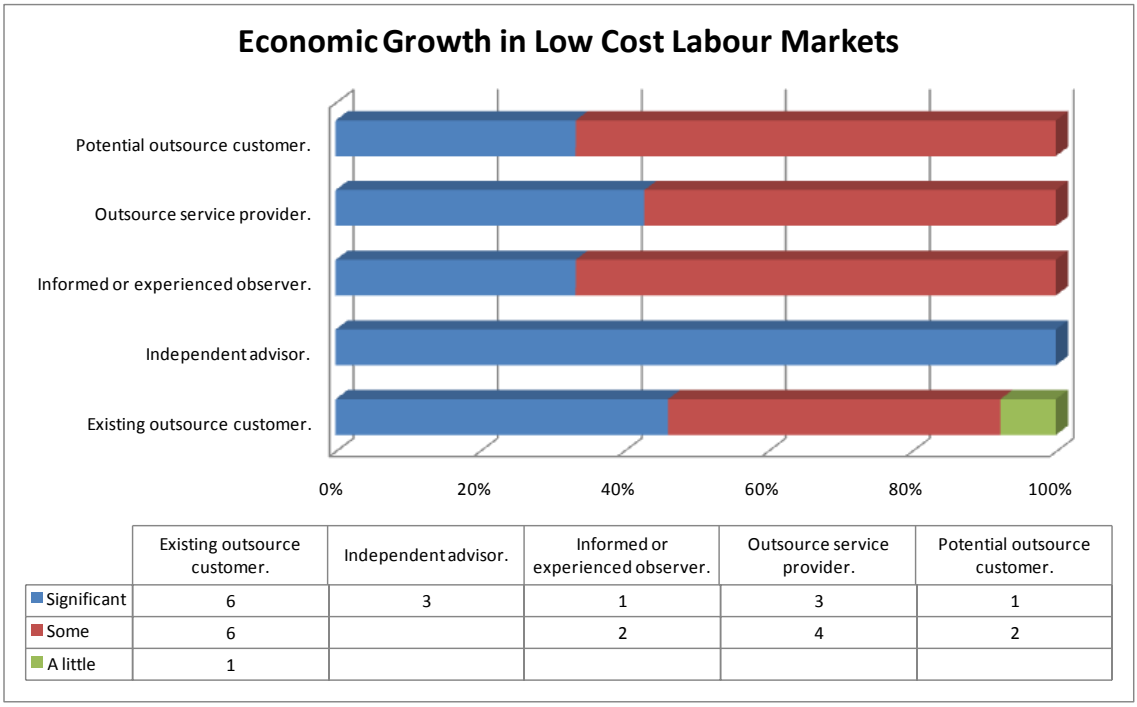
The erosion of wage arbitrage benefits in the opinion of respondents is collected through question 13 (Figure 34). The question was skipped by 10 respondents and a further 7 selected "cannot answer" (Appendix 21). It can be stated with 95% confidence that wage arbitrage eroded significantly (completely or affecting business) in the opinion of 35% (+/- 18%) of European shared services and outsourcing professionals.



	Existing outsource customer.	Independent advisor.	Informed or experienced observer.	Outsource service provider.	Potential outsource customer.
Completely eroded.				1	
Eroded so much to affect business case.	3	2	1		2
Eroded a little, but not affecting business case.	7		1	5	1
It has not been eroded at all.			1		1
Wage arbitrage is not relevant.	1				

Figure 34 Wage Arbitrage Erosion (source: survey question 13)

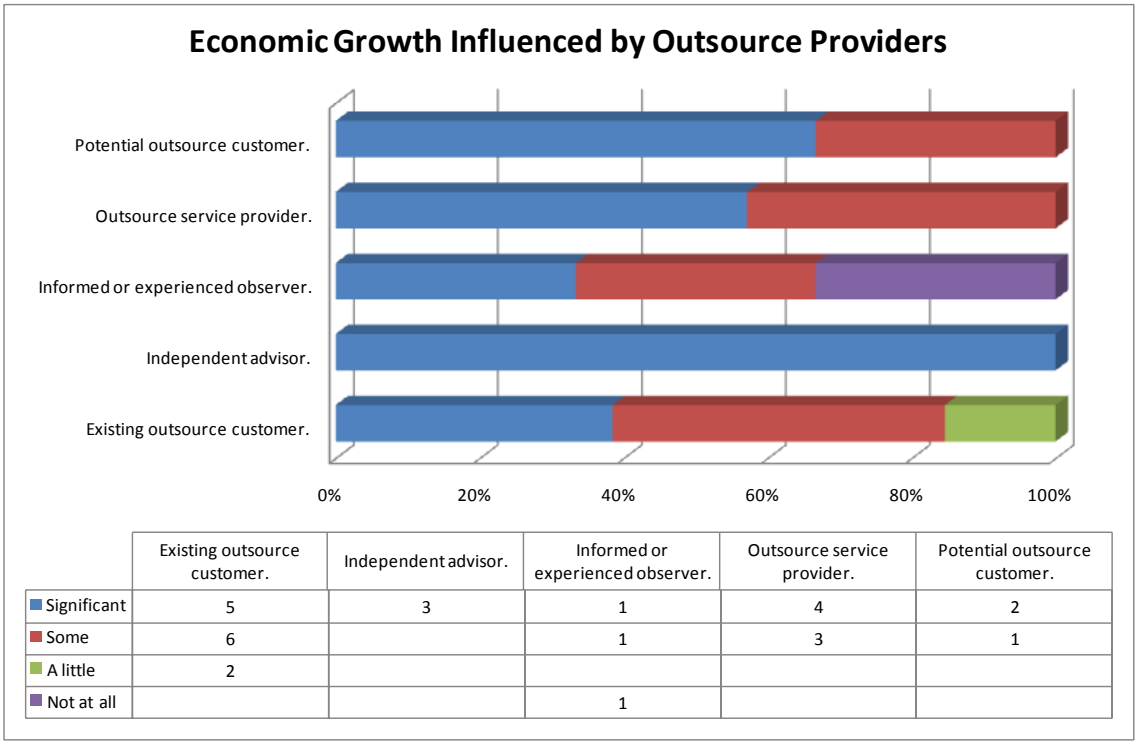
European shared services and outsourcing professionals' opinions about economic growth in low cost labour markets are collected through question 14 in two parts. The first part collected concerns whether there is growth or not and the second concerns the influence the success of BPO providers might or might not be having. The first part of the question (Figure 35) was skipped by 10 respondents and a further 4 selected "cannot answer" (Appendix 22). None of the respondents selected "not at all" in response to the first questions. It can be stated with 95% confidence that 100% of professionals would not deny there is economic growth. It can be stated with 95% confidence that 97% (+/- 6%) of European shared services and outsourcing professionals would agree there is some or significant economic growth in low cost labour markets.



	Existing outsource customer.	Independent advisor.	Informed or experienced observer.	Outsource service provider.	Potential outsource customer.
Significant	6	3	1	3	1
Some	6		2	4	2
A little	1				

Figure 35 Economic Growth in Low Cost Labour Markets (source: survey question 14)

The second part of the question (Figure 36) was also skipped by 10 respondents and a further 4 selected "cannot answer". It can be stated with 95% confidence 97% (+/- 6%) of European shared services and outsourcing professionals would agree outsource providers have influenced economic growth in low cost labour markets and 90% (+/- 10%) would agree the influence has been more than a little. No respondents selected (not at all).



	Existing outsource customer.	Independent advisor.	Informed or experienced observer.	Outsource service provider.	Potential outsource customer.
Significant	5	3	1	4	2
Some	6		1	3	1
A little	2				
Not at all			1		

Figure 36 Economic Growth Influenced by Outsource Providers (source: survey question 14)

Regression testing using Minitab 15 demonstrated a relationship between the respondents' opinions expressed in the two parts of question 14. Using the ordinal data captured by SurveyMonkey where the responses to the questions are stored as ordinal values; 1 – "not at all", 2 – "a little", 3 – "some" and 4 – "significant", it can be reliably predicted that a respondent's opinion as to whether low cost labour market economies have grown will not be different to their opinion about outsource providers influence over the economic growth. The ordinal logistic regression test is appropriate for categorical responses, with more than two categories, which have a natural order (Minitab, 2009). The session window (Figure 37) displays P-values below 0.05 for variable representing economic growth opinion in part 1 of question 14 as a predictor of the values of economic influence from part 2 of question 14, with the exception as a predictor for the individual ordinal value 1 (one). The null hypothesis for a regression test is there is no correlation between variables, which is disproven with P-values below 0.05 (Brook, 2006). Similarly the goodness of fit test has a null hypothesis that

there is a good fit, which is not disproven by a high P-value (Figure 37).

```
Logistic Regression Table

                                                  Odds     95% CI
Predictor       Coef   SE Coef      Z      P  Ratio  Lower  Upper
Const(1)     3.69861   2.47011   1.50  0.134
Const(2)     6.15563   2.37260   2.59  0.009
Const(3)     7.65194   2.43479   3.14  0.002
Const(4)     10.8778   2.72567   3.99  0.000
Grown_num   -3.17725  0.789592  -4.02  0.000   0.04   0.01   0.20


Log-Likelihood = -21.297
Test that all slopes are zero: G = 40.318, DF = 1, P-Value = 0.000


Goodness-of-Fit Tests

Method     Chi-Square  DF      P
Pearson       3.14089  11  0.989
Deviance      3.35818  11  0.985
```

Figure 37 Minitab Session Window for Logistic Regression Testing

Similarly performing an ordinal regression test for the respondents' opinions on economic growth as a predictor of erosion of wage arbitrage a P-value of 0.017 is returned, disproving the null hypothesis of the regression test that variable does not predict the outcome. Therefore it is safe to accept the opinion of economic growth predicts erosion of wage arbitrage.

```
Logistic Regression Table

                                                  Odds     95% CI
Predictor       Coef   SE Coef      Z      P  Ratio  Lower  Upper
Const(1)    0.653516  0.932075   0.70  0.483
Const(2)    0.860978  0.937780   0.92  0.359
Const(3)     1.37673  0.959013   1.44  0.151
Const(4)     3.42323   1.07406   3.19  0.001
Grown_now  -0.702899  0.295405  -2.38  0.017    0.50   0.28   0.88
```

Figure 38 Ordinal Logistic Regression Test for Economic Growth as a Predictor for Erosion of Wage Arbitrage

Question 15 asks the respondents their opinions regarding other potential low cost labour markets suitable for providing European language skills. There were 5 responses (Appendix 23) provided here verbatim (Table 11).

Other Potential Low Cost Labour Markets For European Language Skills		
Grouping	Share services	Other Markets
Customer	Yes	Bulgaria
Customer	Yes	Multinationals are looking for global centres that cover more than European languages in low cost centres in particular Asian languages
Provider	Yes	Canary Islands, Greek Islands, Spanish Islands, Southern Italy, Northern France
Provider	Yes	African locations
Provider	Yes	I'm sure there are but uncertain as to where they are.

Table 11 Other Potential Low Cost Labour Markets for European Language Skills

Survey question 16 collects data on attitudes towards characteristics of delivery models (Appendix 24) based on the principles for operating shared services established in chapter two. Of the 43 respondents, 13 skipped the question block. The data is presented aggregated for existing outsource customers only (Figure 39) and for all respondents (Figure 40).

Figure 39 Existing Customers' Agreement with Delivery Model Statements (source: survey question 16)

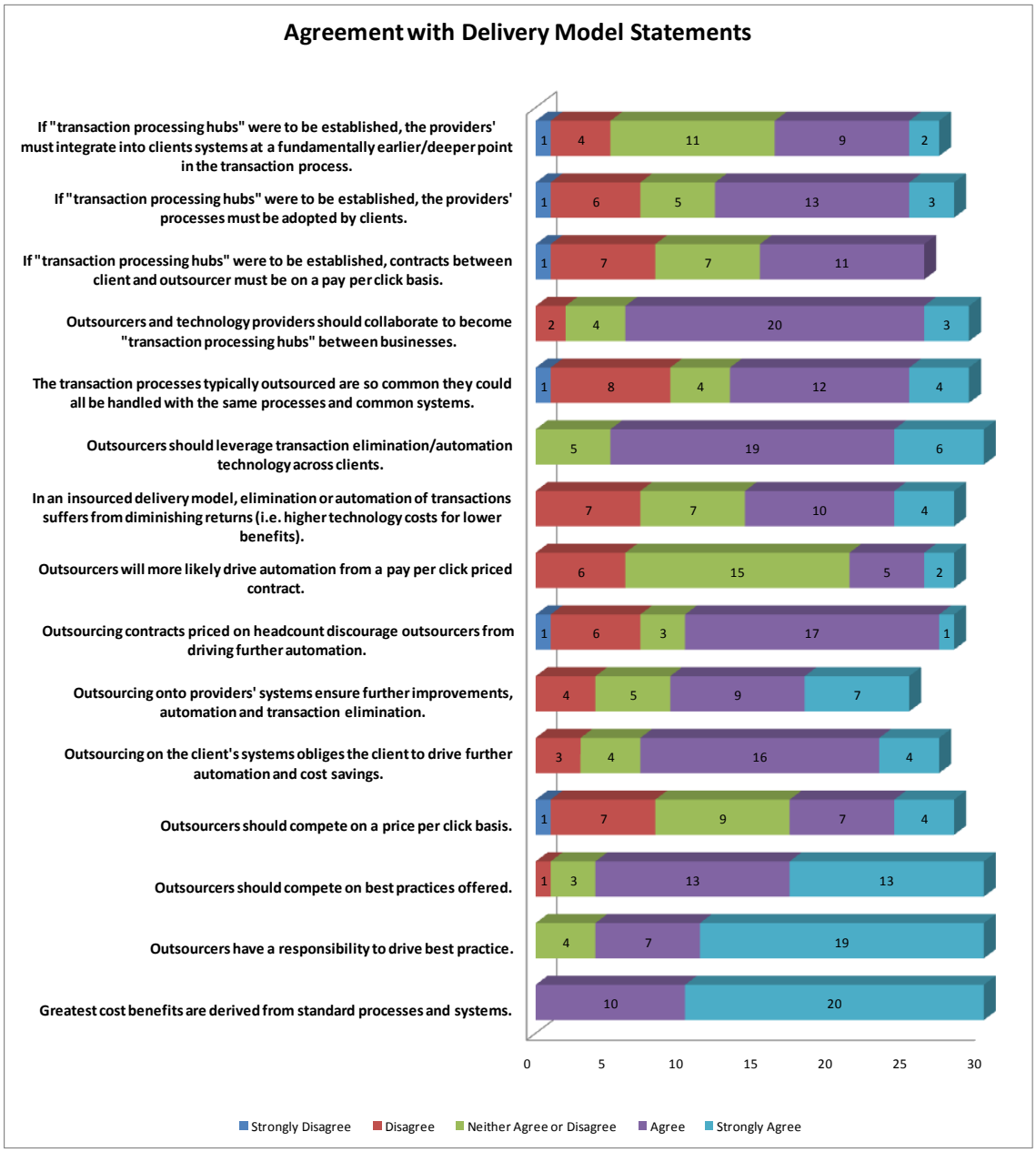


Figure 40 All Respondents' Agreement with Delivery Model Statements (source: survey question 16)

The data from Figure 39 and Figure 40 can be misleading or inconclusive. It might also be difficult to determine the data is inconclusive. Therefore the data is transposed into Table 12 and Table 13 respectively. Both "strongly agree" and "agree" are added together as are "disagree" and "strongly disagree". The "neither agree nor disagree" responses are removed from the data but the sample size is retained for the sample selecting any of these five responses. The percentage agreement ("probability" is used in the tables and from this point forward, to avoid confusion with any of the response options) is calculated as is the confidence interval for a confidence level of 95%. The responses both agreement and

disagreement that display a strong probability and good confidence interval are highlighted in the tables in green. Those not strong are in amber and those poor are red. The probability relates to how likely the statement is to be true for the whole population of European shared services and outsourcing professionals based on the responses from this sample.

Analysis of Customers Agreement with Delivery Model Statements												
	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Total Agree	Total Disagree	Sample	Agree Probability	Confidence Interval	Disagree Probability	Confidence Interval
Greatest cost benefits are derived from standard processes and systems.				4	8	12	0	13	92%	14%	0%	0%
Outsourcers have a responsibility to drive best practice.			3	1	9	10	0	13	77%	23%	0%	0%
Outsourcers should compete on best practices offered.			2	4	7	11	0	13	85%	20%	0%	0%
Outsourcers should compete on a price per click basis.	1	2	4	4	1	5	3	13	38%	26%	23%	23%
Outsourcing on the client's systems obliges the client to drive further automation and cost savings.		3	1	7	1	8	3	13	62%	26%	23%	23%
Outsourcing onto providers' systems ensure further improvements, automation and transaction elimination.		1	3	3	2	5	1	13	38%	26%	8%	14%
Outsourcing contracts priced on headcount discourage outsourcers from driving further automation.	1	4	1	6		6	5	13	46%	27%	38%	26%
Outsourcers will more likely drive automation from a pay per click priced contract.		1	7	3	1	4	1	13	31%	25%	8%	14%
In an insourced delivery model, elimination or automation of transactions suffers from diminishing returns (i.e. higher technology costs for lower benefits).		1	4	4	3	7	1	13	54%	27%	8%	14%
Outsourcers should leverage transaction elimination/automation technology across clients.			2	7	4	11	0	13	85%	20%	0%	0%
The transaction processes typically outsourced are so common they could all be handled with the same processes and common systems.	1	2	2	7		7	3	13	54%	27%	23%	23%
Outsourcers and technology providers should collaborate to become "transaction processing hubs" between businesses.			3	9		9	0	13	69%	25%	0%	0%
If "transaction processing hubs" were to be established, contracts between client and outsourcer must be on a pay per click basis.	1	2	3	4		4	3	13	31%	25%	23%	23%
If "transaction processing hubs" were to be established, the providers' processes must be adopted by clients.	1	3	2	5	1	6	4	13	46%	27%	31%	25%
If "transaction processing hubs" were to be established, the providers' must integrate into clients systems at a fundamentally earlier/deeper point in the transaction process.	1	1	5	4		4	2	13	31%	25%	15%	20%

Table 12 Analysis of Customers Agreement with Delivery Model Statements (source: survey question 16)

Based on the responses from customers there are strong probabilities of agreement associated with only one statement:-

- "*Greatest cost benefits are derived from standard processes and systems.*"

There are strong possibilities of a lack of disagreement with eight statements: -

- "*Greatest cost benefits are derived from standard processes and systems.*"
- "*Outsourcers have a responsibility to drive best practice.*"
- "*Outsourcers should compete on best practices offered.*"
- "*Outsourcing onto providers' systems ensures further improvements, automation and transaction elimination.*"

- "*Outsourcers will more likely drive automation from a pay per click priced contract.*"
- "*In an insourced delivery model, elimination or automation of transactions suffers from diminishing returns (i.e. higher technology costs for lower benefits).*"
- "*Outsourcers should leverage transaction elimination/automation technology across clients.*"
- "*Outsourcers and technology providers should collaborate to become 'transaction processing hubs' between businesses.*"

There were no statements demonstrating strong disagreement.

Analysis of All Respondents Agreement with Delivery Model Statements												
	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Total Agree	Total Disagree	Sample	Agree Probability	Confidence Interval	Disagree Probability	Confidence Interval
Greatest cost benefits are derived from standard processes and systems.				10	20	30	0	30	100%	0%	0%	0%
Outsourcers have a responsibility to drive best practice.			4	7	19	26	0	30	87%	12%	0%	0%
Outsourcers should compete on best practices offered.		1	3	13	13	26	1	30	87%	12%	3%	6%
Outsourcers should compete on a price per click basis.	1	7	9	7	4	11	8	30	37%	17%	27%	16%
Outsourcing on the client's systems obliges the client to drive further automation and cost savings.		3	4	16	4	20	3	30	67%	17%	10%	11%
Outsourcing onto providers' systems ensure further improvements, automation and transaction elimination.		4	5	9	7	16	4	30	53%	18%	13%	12%
Outsourcing contracts priced on headcount discourage outsourcers from driving further automation.	1	6	3	17	1	18	7	30	60%	18%	23%	15%
Outsourcers will more likely drive automation from a pay per click priced contract.		6	15	5	2	7	6	30	23%	15%	20%	14%
In an insourced delivery model, elimination or automation of transactions suffers from diminishing returns (i.e. higher technology costs for lower benefits).		7	7	10	4	14	7	30	47%	18%	23%	15%
Outsourcers should leverage transaction elimination/automation technology across clients.			5	19	6	25	0	30	83%	13%	0%	0%
The transaction processes typically outsourced are so common they could all be handled with the same processes and common systems.	1	8	4	12	4	16	9	30	53%	18%	30%	16%
Outsourcers and technology providers should collaborate to become "transaction processing hubs" between businesses.		2	4	20	3	23	2	30	77%	15%	7%	9%
If "transaction processing hubs" were to be established, contracts between client and outsourcer must be on a pay per click basis.	1	7	7	11		11	8	30	37%	17%	27%	16%
If "transaction processing hubs" were to be established, the providers' processes must be adopted by clients.	1	6	5	13	3	16	7	30	53%	18%	23%	15%
If "transaction processing hubs" were to be established, the providers' must integrate into clients systems at a fundamentally earlier/deeper point in the transaction process.	1	4	11	9	2	11	5	30	37%	17%	17%	13%

Table 13 Analysis of All Respondents' Agreement with Delivery Model Statements (source: survey question 16)

Based on the responses from all respondents there are strong probabilities of agreement associated with four statements:-

- "*Greatest cost benefits are derived from standard processes and systems.*"
- "*Outsourcers have a responsibility to drive best practice.*"
- "*Outsourcers should compete on best practices offered.*"

- "*Outsourcers should leverage transaction elimination/automation technology across clients.*"

There are strong possibilities of a lack of disagreement with seven statements: -

- "*Greatest cost benefits are derived from standard processes and systems.*"
- "*Outsourcers have a responsibility to drive best practice.*"
- "*Outsourcers should compete on best practices offered.*"
- "*Outsourcing on the client's systems obliges the client to drive further automation and cost savings.*"
- "*Outsourcing onto providers' systems ensures further improvements, automation and transaction elimination.*"
- "*Outsourcers should leverage transaction elimination/automation technology across clients.*"
- "*Outsourcers and technology providers should collaborate to become 'transaction processing hubs' between businesses.*"

There were no statements demonstrating strong disagreement.

Survey question 17 asks respondents to select and rank the most appealing potential characteristics of delivery models (Appendix 25). Of the 43 respondents, 13 skipped the question. The data is presented aggregated for existing outsource customers only (Figure 41) and for all respondents (Figure 42).

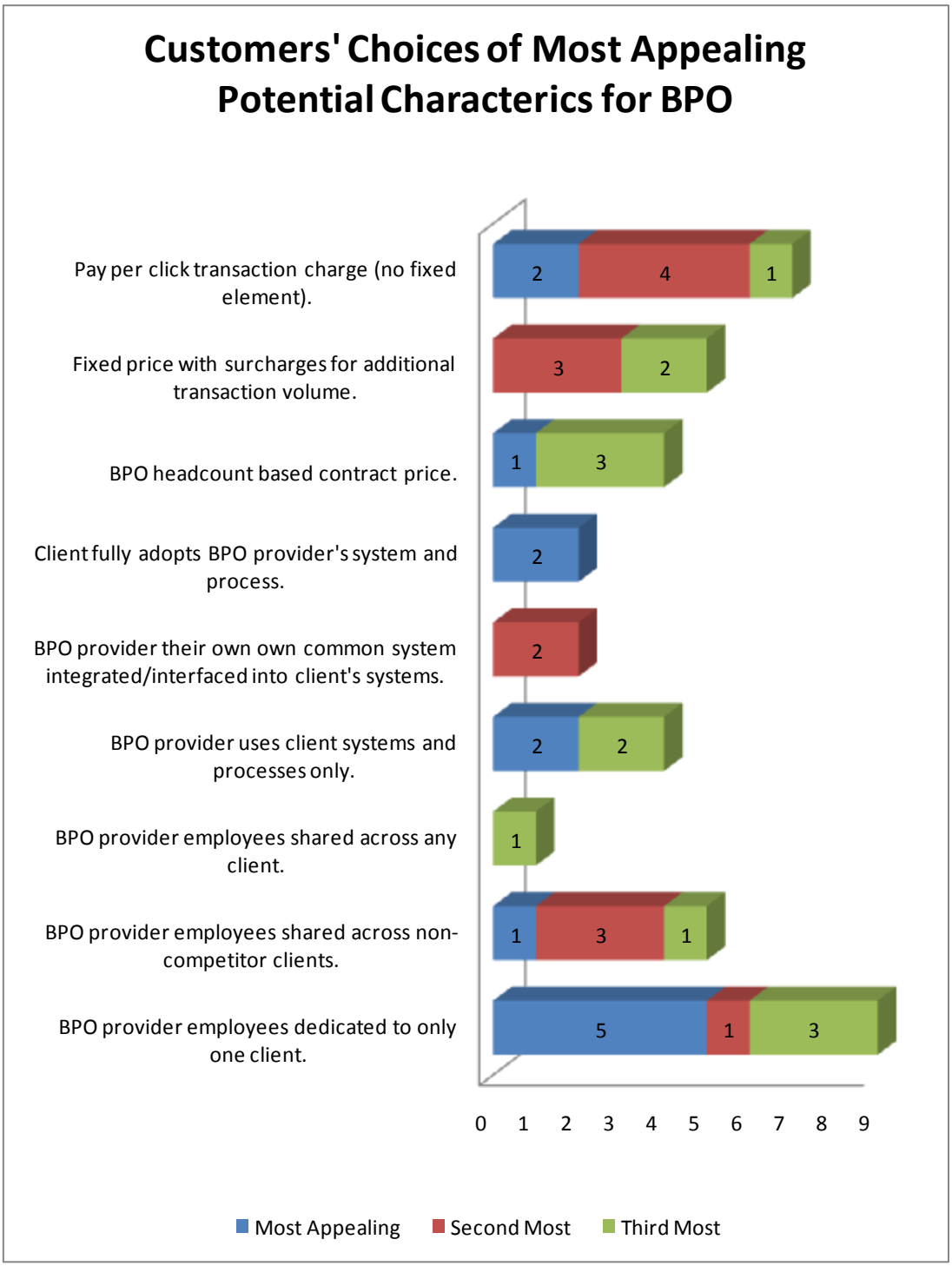


Figure 41 Customers' Choices of Most Appealing Potential Characteristics for BPO (source: survey question 17)

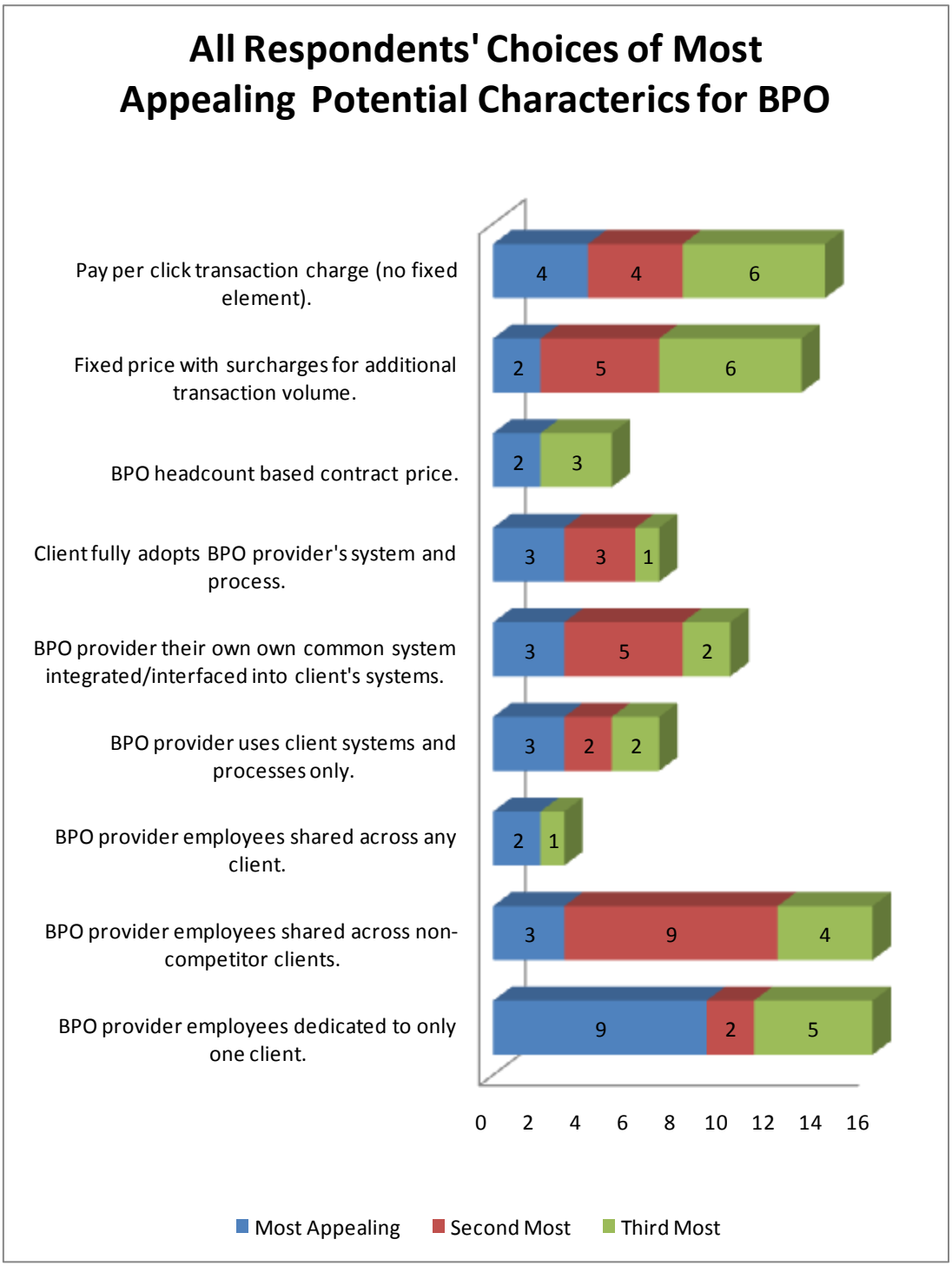


Figure 42 All Respondents' Choices of Most Appealing Potential Characteristics for BPO (source: survey question 17)

The data from Figure 41 and Figure 42 have been transposed into Table 14 and Table 15 respectively.

In a similar fashion to the analysis of the responses to question 16, the responses to question 17 are analysed to assess the reliability of the results in predicting the responses of all European shared services and outsourcing professionals. As all choices are positive, that is the respondent has identified them as a top three preference, the answers are aggregated for the

probability and confidence interval calculation. As previously, strong probabilities are highlighted in green, not so strong in amber and weak in red.

Most Appealing Characteristics of Potential Delivery Models for Customers							
	Most Appealing	Second Most	Third Most	Total	Sample	Probability	Confidence interval
Pay per click transaction charge (no fixed element).	2	4	1	7	13	54%	27%
Fixed price with surcharges for additional transaction volume.		3	2	5	13	38%	26%
BPO headcount based contract price.	1		3	4	13	31%	25%
Client fully adopts BPO provider's system and process.	2			2	13	15%	19%
BPO provider their own own common system integrated/interfaced into client's systems.		2		2	13	15%	19%
BPO provider uses client systems and processes only.	2		2	4	13	31%	25%
BPO provider employees shared across any client.			1	1	13	8%	15%
BPO provider employees shared across non-competitor clients.	1	3	1	5	13	38%	26%
BPO provider employees dedicated to only one client.	5	1	3	9	13	69%	25%

Table 14 Most Appealing Characteristics of Potential Delivery Models for Customers (source: survey question 17)

Based on the sample customers data in Table 14 there are no choices with a strong possibility of selection.

There is one characteristic with a strong possibility of not being select: -

- "*BPO provider employees shared across any client.*"

Most Appealing Characteristics of Potential Delivery Models for All Respondents							
	Most Appealing	Second Most	Third Most	Total	Sample	Probability	Confidence interval
Pay per click transaction charge (no fixed element).	4	4	6	14	30	47%	18%
Fixed price with surcharges for additional transaction volume.	2	5	6	13	30	43%	18%
BPO headcount based contract price.	2		3	5	30	17%	13%
Client fully adopts BPO provider's system and process.	3	3	1	7	30	23%	15%
BPO provider their own own common system integrated/interfaced into client's systems.	3	5	2	10	30	33%	17%
BPO provider uses client systems and processes only.	3	2	2	7	30	23%	15%
BPO provider employees shared across any client.	2		1	3	30	10%	11%
BPO provider employees shared across non-competitor clients.	3	9	4	16	30	53%	18%
BPO provider employees dedicated to only one client.	9	2	5	16	30	53%	18%

Table 15 Most Appealing Characteristics of Potential Delivery Models for All respondents (source: survey question 17)

Based on the sample data in Table 15 there are no choices with a strong possibility of selection.

There is one characteristic with a strong possibility of not being select: -

- "*BPO provider employees shared across any client.*"

The final question 18 asks respondents if there is a question missing. If there is a question missing the respondent is asked to also provide their answer. Question 18 also allows for any comments to be provided. The verbatim responses are presented in Appendix (26) and here categorised (Table 16).

Other Questions or Comments		
Grouping	Share services	Other Markets
Customer	Yes	The change in from fixed o/head to variable o/head is becoming more critical & allows greater flexibility Having contracts with broad bands +/- to operate in are also important The notion of co sourcing also has some appeal
Provider	Yes	Implementing activity based management and price on unit basis. Would be my most appealing
Customer	Yes	All the Best Neil!
Potential customer	Yes	Gainshare mechanisms in contracts. I struggled to answer the pricing elements as I would feel that this would the make largely irrelevant the question about headcount/pay per click etc based contracts?
Advisor	Yes	Outsourced profits are generally short term. Wage arbitrage and language issues will impact these profits in the longer term.
Customer	Yes	Question 9 nbr of FTE entered (18) is based on nbr of FTE's required for language dependant activities. I was unable to answer question 11.
Customer	Yes	Not sure why it matters how many FTE's are performing the process transactions if you haven't asked for the number of transactions being processed as it may not be proportionate.
Customer	Yes	You may want to query the level of outsourcing for the language dependent tasks. This may cover basic language by the BPO provider x a more indepth one by the cliend. Also if the client sees the language dependancy important enough to pay a higher premium to keep those services off shore but within the EU for instance.
Observer	N/A	Questions regarding how the success of an outsourced agreement will be tracked and measured. Also, the issue of BPO provider employee turnover. In my experience both have been major issues in outsourced situations and neither have been successfully addressed.

Table 16 Other Questions or Comments (source: survey question 18)

4.4. Summary

The results of the research described in chapter three have been presented in chapter. The results will be analysed for their relevance to the research questions or hypotheses only. Chapter five discusses the findings, their context within the literature and generalisations.

Chapter 5. Conclusions and Implications

5.1. Introduction

By the end of chapter two a current body of knowledge related to the research problem has been reviewed, leading to the construction of a conceptual model to represent that knowledge. The literature review of chapter two has enabled the research problem, expressed as specific questions to be translated into hypotheses.

Through chapter two it has been shown shared services operate with common principles of consolidating resource, standardising best practice and leveraging technology to drive cost benefits in non-core activities for the parent business. A possible natural evolution of a shared services operation is to become an independent commercial operation. Business process outsource (BPO) providers are likened very strongly to shared services and are held to expectations similar to those of shared services operations. The literature shows BPO providers have largely driven benefits through wage arbitrage, by transferring work to low cost labour markets. Where language skills are required the current knowledge creates the assumption that there are limited further opportunities for wage arbitrage of European languages. The assumption is tested in the research. The literature demonstrates this constraint, economic growth and competitor activity require European language BPO providers to seek other competitive advantage. The literature suggests shared services and BPO operations are so akin they can drive competitive advantage employing the same principles of consolidated resources, standardised processes and leveraged systems across their clients. The literature review finally suggests the enactment of these principles is resisted by the BPO clients.

This research surveys the opinions from a sample of European shared services and outsourcing client, provider, advisory and observer professionals. The methodology is justified and described in chapter three.

The gathered data is analysed in chapter four without inference or generalisation. Chapter five reviews the analysis for each hypothesis through section 5.3 and draws inferences, generalisations and conclusions that will resolve the research problem.

5.2. Critical Evaluation of Adopted Methodology

The selection of the methodology was circumstantial to the extent described in chapter three. Change of employer created access challenges, preventing a phenomenological epistemology for the research to be executed through semi-structured interviews.
In reflection the original approach would have been preferential to fully understand the motives and rationale for the input from the survey participants. A pluralist approach using a survey to flush out focus topics may have worked very well.

It was difficult to convey the theory captured in the conceptual model to the survey participants, which may have affected their responses.

The timing of survey invitations and reminders during weekend periods demonstrates goods response rates on Mondays from busy professionals as anticipated and reflected in section 4.3.2.

Despite being satisfied with the rate of response during the administration of the survey, the analysis of responses demonstrated several questions were skipped by large numbers of respondents, affecting the quality and probabilities of the analysis in chapter four.
The survey was designed to be consistent for several audiences and therefore contained optional questions. Response rates might better be improved by adaptation of the survey to sample audience.
In reflection there is a misbalance in questions towards the issue of language skills.

The sample size consequently would benefit from being larger to improve the probability that the analysis can be generalised for the population.

Good analysis was also challenged by the absence of multiple samples, control groups or targets. Multiple samples would allow for a more confident understand of the population.

5.3. Conclusions About Each Research Objective (aim)

As the unit of analysis is the European shared services and outsourcing professional, where European does not imply nationality or location but does imply professional interest, the

following conclusions are all presented in the context of whether the opinions expressed by the sample through the study can be generalised to the whole population.

5.3.1. Economic Growth Erodes Wage Arbitrage

Hypothesis 1a – economic growth in lower cost European language labour markets is eroding the benefits of wage arbitrage.

Although no conclusive patterns emerge from questions regarding language requirements and staff under utilisation, wage arbitrage is a significant benefit desired and economic growth is negatively impacting the benefit.

5.3.2. BPO Success Drives Economic Growth

Hypothesis 1b – economic growth in lower cost European language labour markets is caused by the success of BPO providers in those locations.

The research also shows the shared services and outsourcing professionals attribute the economic growth to some extent to the success of the outsource providers.

5.3.3. Competitiveness is Improved Adopting Best Practices

Hypothesis 2 – BPO provider competitiveness is improved by adopting BPO providers, horizontally integrated (i.e. more of the process executed by the provider), best practice process.

Analysing existing customers' responses finds that only a single statement can be generalised. The statement concerned greatest benefit s being derived from standard processes and systems. The full sample also agrees, but also confirms the need for outsources to drive best practices and compete on that basis. Although the survey statement can be generalised that providers "…should compete on best practices offered…" it is only implied through the data that the customer adopts the best practices. The hypothesis can be generalised with this qualification.

5.3.4. Competitiveness Improves by Leveraging Resource Across Clients

Hypothesis 3 – BPO provider competitiveness is improved by consolidating resource and leveraging them across multiple clients.

The study is rather inconclusive in terms of positively proving this hypothesis. The sharing of resources across any customer is avoided similarly by both by the whole sample and customers as a subset. The generalisation that can be made is that European shared services and outsourcing professionals do not agree that BPO competitiveness is improved by consolidating resource and leveraging them across multiple clients.

5.3.5. BPO Competitiveness is Improved Leveraging Technology Across Clients

Hypothesis 4 – BPO provider competiveness is improved through the maximised use of BPO provider side technology, leveraged across clients and between BPO providers.

The study fails to draw any conclusions on leveraging technology between BPO providers. The choices made around "transaction hubs" questions are varied and inconsistent.
Neither customers nor the whole sample are consistent in selecting technology options as most appealing characteristics. There is however strong agreement on leveraging technology across clients. The hypothesis can be generalised if modified to exclude leveraging between BPO providers. This exclusion does not imply it is invalid, merely that the study cannot support any position.
This hypothesis in reflection should be two hypotheses treated independently.

5.3.6. Leveraging Processes, Resources and Systems Requires Pay Per Click

Hypothesis 5a – Leveraging processes, resources and systems requires common pay per click pricing to drive BPO provider competitiveness.

There is broad inconsistency across the sample in selecting options related to pay per click charging approaches. Responses to question 18 support combined fixed and variable

elements, with broad bands for the variable element built on activity based management.

The hypothesis cannot be generalised.

5.3.7. BPO Client Resistance

Hypothesis 5b – BPO clients are resistant to Hypotheses 2, 3, 4 and 5a.

The sample size of 13 existing customers responding to question 17 may be too small. Based on these responses there is no clear appeal for clients adopting provider processes ($H2_0$), clients using provider technology ($H4_0$) or pay per click charging mechanisms ($H5a_0$). There is strong avoidance of sharing resources across any client ($H3_0$).

The hypothesis can be generalised to the population.

5.4. Conclusions About the Research Question

This study demonstrates that business process outsource (BPO) providers are expected to operate to the same principles on which shared services operations have successfully provided non-core activities to their parent businesses.

In summary the shared services principles are to consolidate, standardise and leverage; resource, continuously improving best practice and advanced technology across client businesses on a competitive basis charging for services proportionate to their use.

BPO providers would be most competitive in meeting these expectations by consolidating and leveraging; resource, continuously improving best practice and advanced technology across client businesses on a competitive basis charging for services proportionate to their use.

Further benefits are available to providers by leveraging their scale and technology to interact effectively with other providers operating on behalf of their clients, in a “transaction hub” model similar to that of clearing banks.

However, customers are resistant to a provider consolidation and leverage model in conflict

with the expectations held.

Following the example of the “English country banks” from the Industrial Revolution era, the BPO providers that establish transaction hubs may be the big players when their wage arbitrage margins and geographic cost competitiveness have been lost to economic growth, in part influenced by their own success so far.

BPO providers have opportunities to differentiate their services through the adoption of shared services principles in very real terms, providing they can establish viable transaction hubs and find clients wishing to become part of the next industrial revolution.

5.5. Limitations of the Study

The study was purposefully limited to the provision of European language dependent BPO, as language skills availability constrains the BPO provider locations and given economic responses to foreign investment, forces the issue of competitive advantage to be considered perhaps earlier than in other BPO models in which language skill demands are not a factor. However this construction of the research problem was intended to create knowledge that can be extended to other BPO operations regardless of language constraints.

The participants in the study are largely from a personal or professional network. This in itself is a limit that may have influenced the findings of the research.

The study is blind to the opportunities that might be being engineered by BPO providers or systems providers and is therefore responsive to a problem rather than explorative.

5.6. Opportunities for Further Research

Two natural follow-on studies can be derived directly from the conclusion. Firstly, a study into why outsource customers resist the shared services principles in practical BPO execution. The secondly a study into how providers might establish pilot transaction hubs and attract clients.

The study is worthy of repeating for a larger sample, multiple samples or against control

groups (perhaps the bank clearing houses used as an analogy for chapter two).

Generalisation to a larger scope would be suitable research, ignoring the European language constraint used to focus this study.

This study touched upon the suitability of "foreign" candidates not only in terms of languages and qualification but also in norms. A worthy research maybe the expected global business norms. Additionally the influence of existing norms on global business could be a topic.

A response to question 18 prompts the follow on research of the desire to near-shore for certain activities even at premium prices. The researcher may care to investigate whether this is core or non-core activity and where it sits in the value chain.

The literature review established shared services organisations are responsible for non-core activities. Research specifically into providing core activities and their outsource would be valuable.

This study has focused on the provision of European languages to Europe. A response to question 8 prompts a further study of the provision on non-European languages from Europe.

Question 18 received a response regarding "co-sourcing". This study reviewed a variety of sourcing strategies including multi-sourcing. The literature review did not uncover "co-sourcing" specifically. Therefore it may be worthy of study in its own right.

The treatment of transaction hubs in the study is inconclusive. The topic arises in literature, but with little detail. This is an unexplored topic.

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Appendix 1 Languages of Europe

Language	Official in	Since
Bulgarian	Bulgaria	2007
Czech	Czech Republic	2004
Danish	Denmark	1973
Dutch	Netherlands and Belgium	1958
English	Ireland, Malta and United Kingdom	1958
Estonian	Estonia	2004
Finnish	Finland	1995
French	Belgium, France and Luxembourg	1958
German	Austria, Belgium, Germany and Luxembourg	1958
Greek	Cyprus and Greece	1981
Hungarian	Hungary	2004
Irish	Ireland	2007
Italian	Italy	1958
Latvian	Latvia	2004
Lithuanian	Lithuania	2004
Maltese	Malta	2004
Polish	Poland	2004
Portuguese	Portugal	1986
Romanian	Romania	2007
Slovak	Slovakia	2004
Slovene	Slovenia	2004
Spanish	Spain	1986
Swedish	Finland and Sweden	1995

Languages of Europe (European Commission, 2009a) tabulated (Wikipedia, 2009a)

Appendix 2 Languages Skills of Citizens

Languages of the European Union				
Language	Countries	As mother tongue (percentage of EU population)	As language other than mother tongue (percentage of EU population)	Percentage of EU population speaking language
English	United Kingdom, Ireland and Malta	13%	38%	51%
German	Germany, Austria, Luxembourg, Belgium, Italy, France, Denmark, Poland, Czech Republic, Romania and Hungary	18%	14%	32%
French	France, Belgium, Luxembourg and Italy	12%	15%	26%
Italian	Italy, Slovenia and Malta	13%	3%	16%
Spanish	Spain	9%	6%	15%
Polish	Poland, Germany, Slovakia, Lithuania and Latvia	9%	1%	10%
Russian	Estonia, Latvia, Lithuania and Greece	1%	6%	7%
Dutch	Netherlands, Belgium and France	5%	1%	6%
Swedish	Sweden and Finland	2%	1%	3%
Greek	Greece, Cyprus and Italy	3%	0%	3%
Czech	Czech Republic, Austria and Slovakia	2%	1%	3%
Hungarian	Hungary, Romania, Slovakia, Slovenia and Austria	2%	0%	2%
Portuguese	Portugal	2%	0%	2%
Slovak	Slovakia, Czech Republic and Hungary	1%	1%	2%
Catalan	Spain, France and Italy	1%	1%	2%

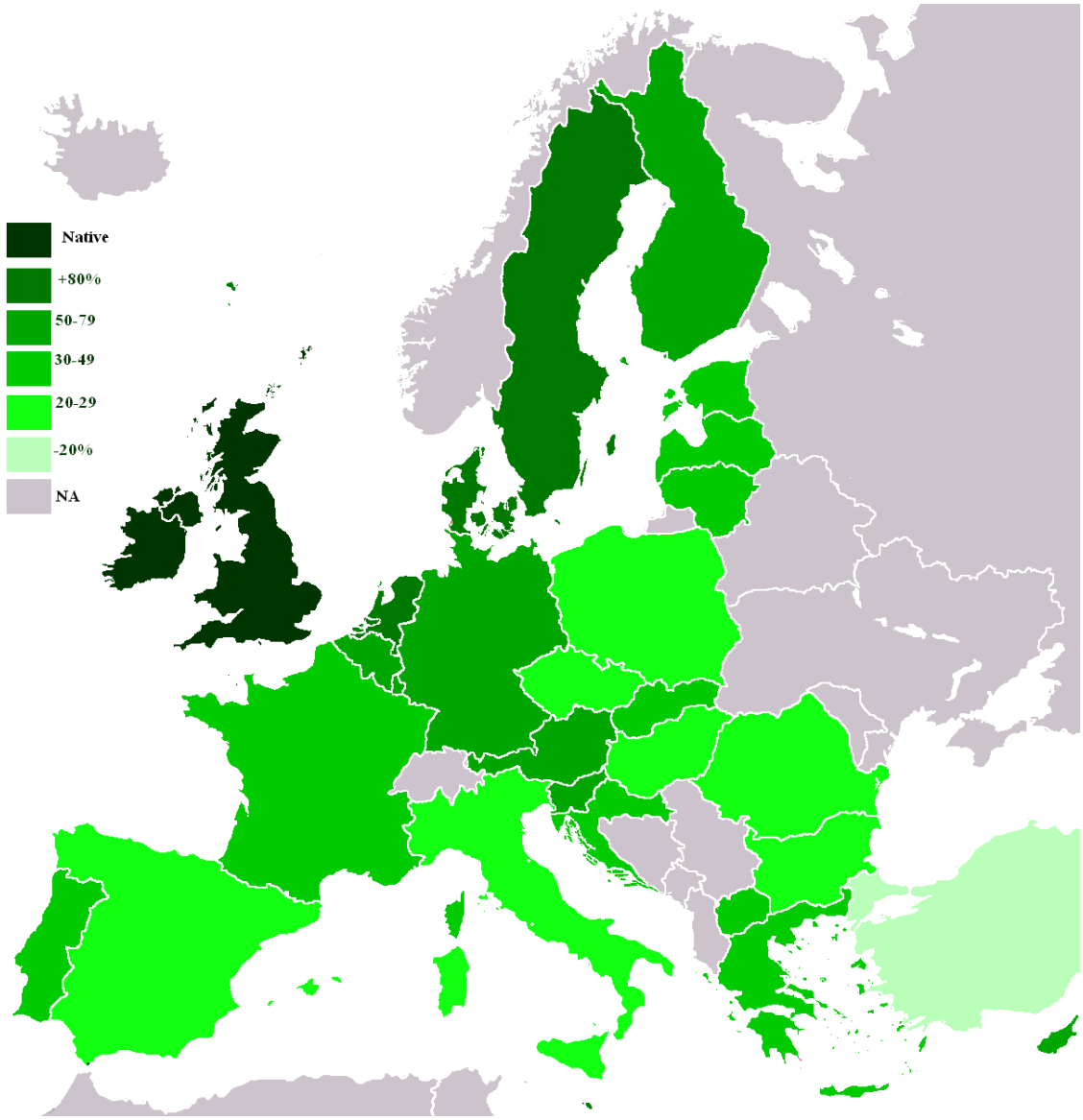
Language Skills of Citizens (European Commission, 2006) tabulated (Wikipedia, 2009a)

Appendix 3 Knowledge of Five Most Used Languages

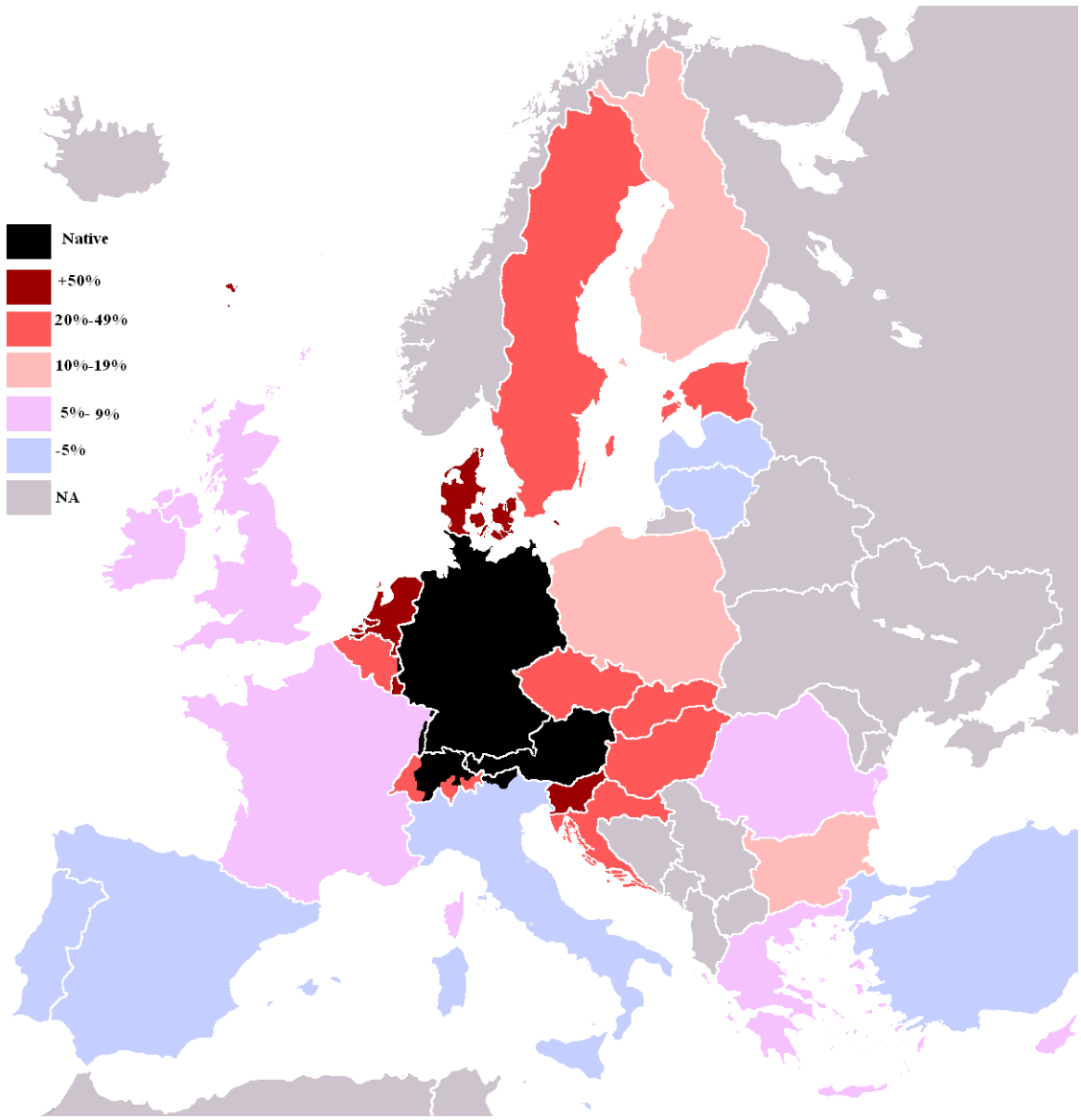
Knowledge of Five Most Used Languages						
Country (EU27)	English as a language other than mother tongue	German as a language other than mother tongue	French as a language other than mother tongue	Spanish as a language other than mother tongue	Italian as a language other than mother tongue	Russian as a language other than mother tongue
Austria	58%	4%	10%	4%	8%	2%
Belgium	59%	27%	48%	6%	3%	0%
Bulgaria *	23%	12%	9%	2%	1%	35%
Cyprus *	76%	5%	12%	2%	4%	2%
Czech Republic *	24%	28%	2%	0%	1%	20%
Denmark	86%	58%	12%	5%	1%	1%
Estonia *	46%	22%	1%	0%	0%	66%
Finland	63%	18%	3%	2%	1%	2%
France	36%	8%	6%	13%	5%	0%
Germany	56%	9%	15%	4%	3%	7%
Greece *	48%	9%	8%	0%	4%	3%
Hungary *	23%	25%	2%	1%	2%	8%
Ireland	5%	7%	20%	4%	1%	1%
Italy	29%	5%	14%	4%	1%	0%
Latvia *	32%	14%	2%	1%	0%	70%
Lithuania *	39%	19%	1%	0%	0%	80%
Luxembourg	60%	88%	90%	1%	5%	0%
Malta *	88%	3%	17%	3%	66%	0%
Netherlands	87%	70%	29%	5%	1%	0%
Poland *	29%	20%	3%	1%	1%	26%
Portugal *	32%	3%	24%	9%	1%	0%
Romania *	29%	6%	24%	3%	4%	4%
Slovakia *	32%	32%	2%	1%	1%	29%
Slovenia *	57%	50%	4%	2%	15%	2%
Spain	27%	2%	12%	10%	2%	1%
Sweden	89%	30%	11%	6%	2%	1%
United Kingdom	7%	9%	23%	8%	2%	1%
Candidate countries:						
Croatia	49%	34%	4%	2%	14%	4%
Turkey	17%	4%	1%	0%	0%	1%
Countries denoted with an asterisk "*" have a GDP per capita less than the European Union average GDP per capita (Appendix 5).						

Knowledge of 5 Most Used Languages (European Commission, 2006) tabulated (Wikipedia, 2009a)

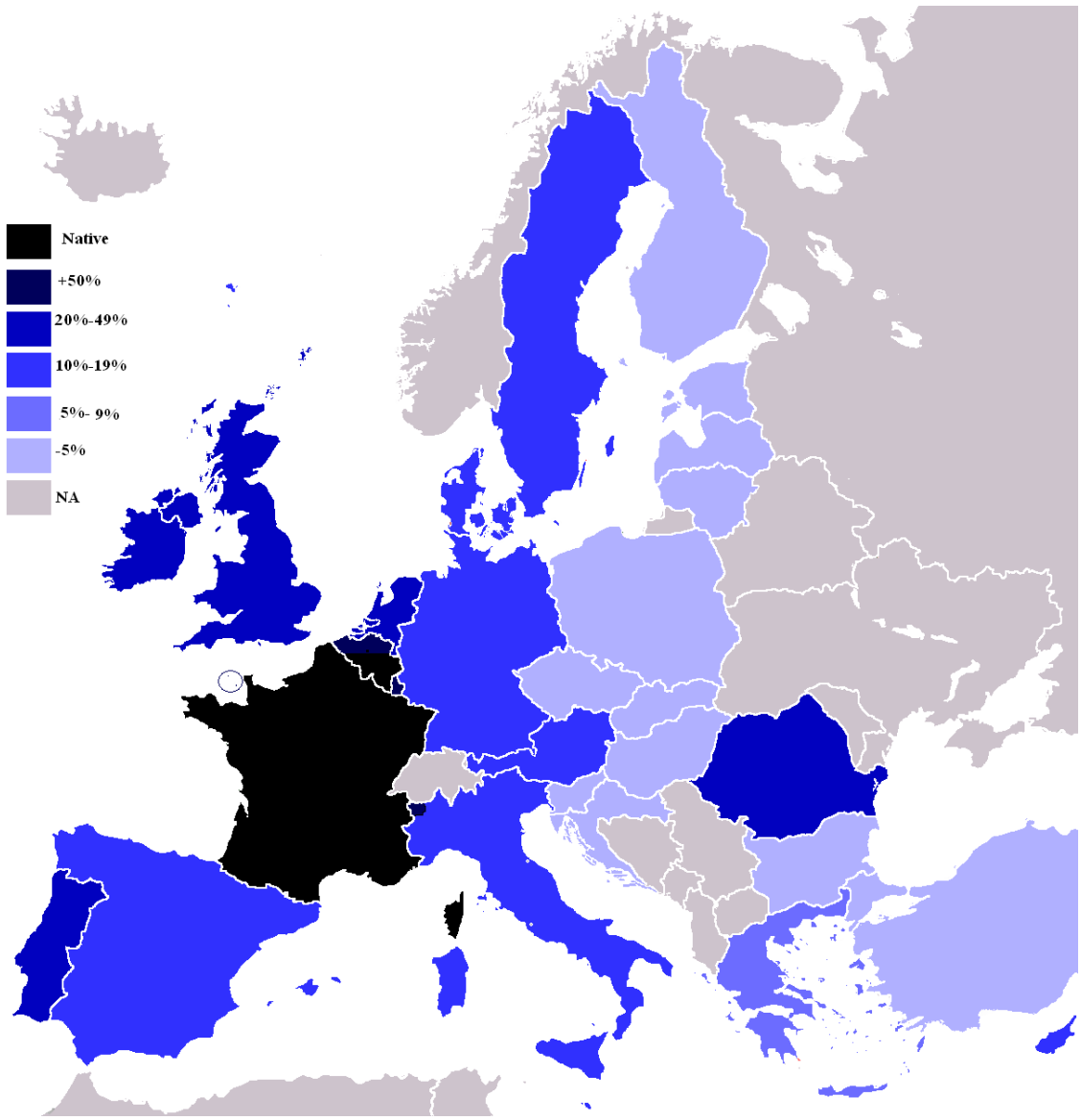
Appendix 4 Knowledge of Five Most Used Languages Graphical



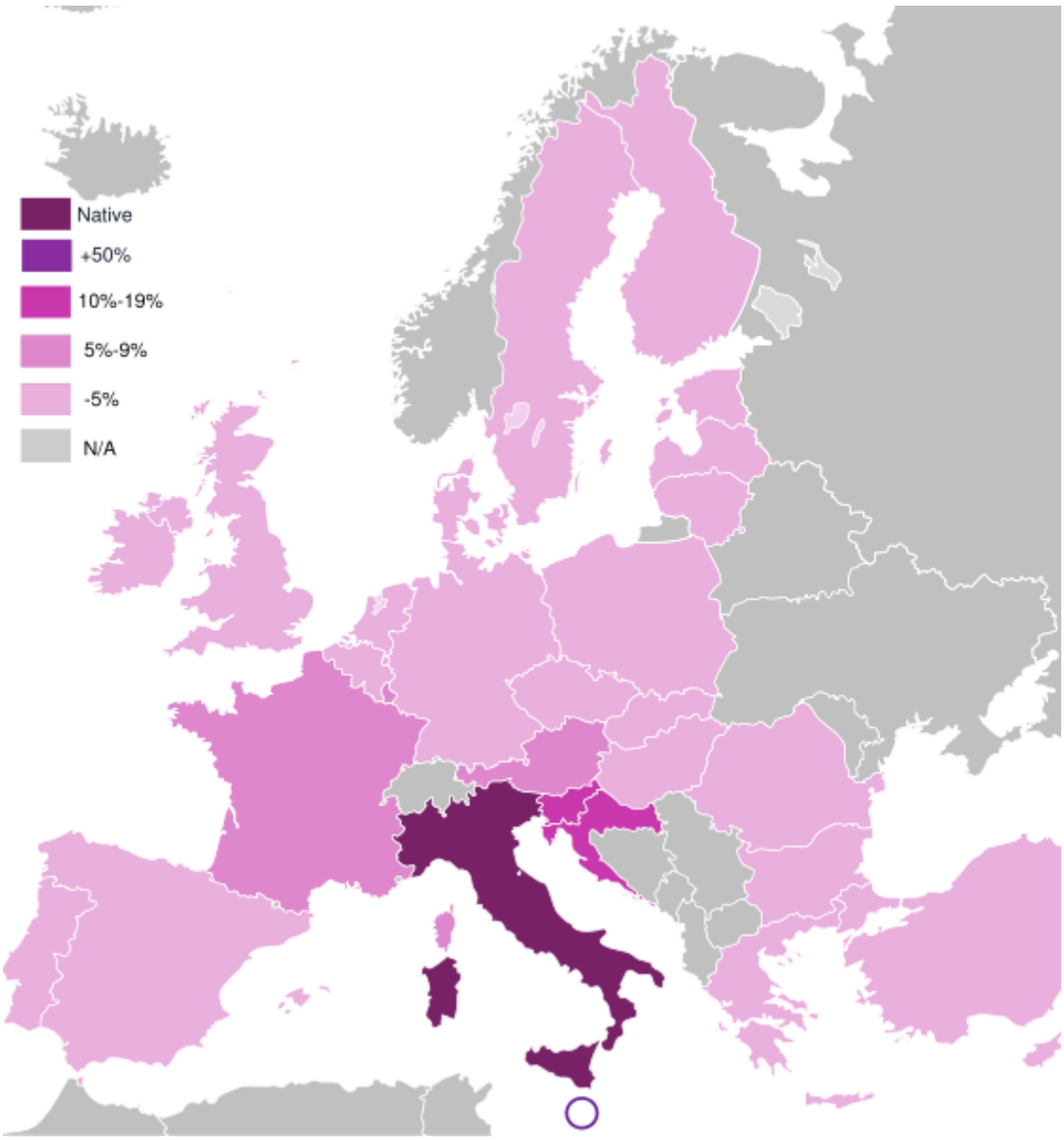
Knowledge of English (Wikipedia, 2009b)



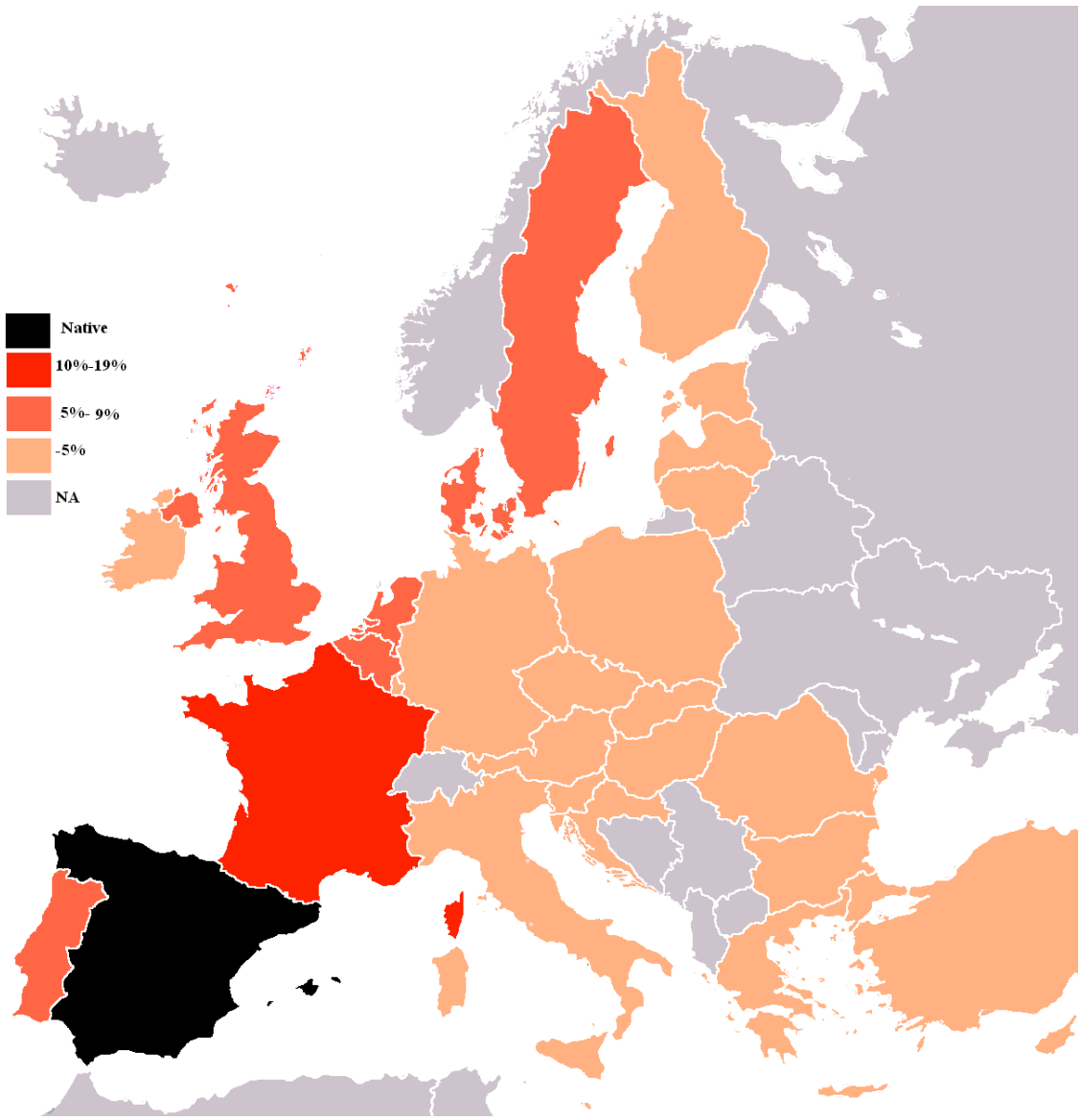
Knowledge German (Wikipedia, 2009c)



Knowledge of French (Wikipedia, 2009d)



Knowledge of Italian (Wikipedia, 2009e)



Knowledge of Spanish (Wikipedia, 2009f)

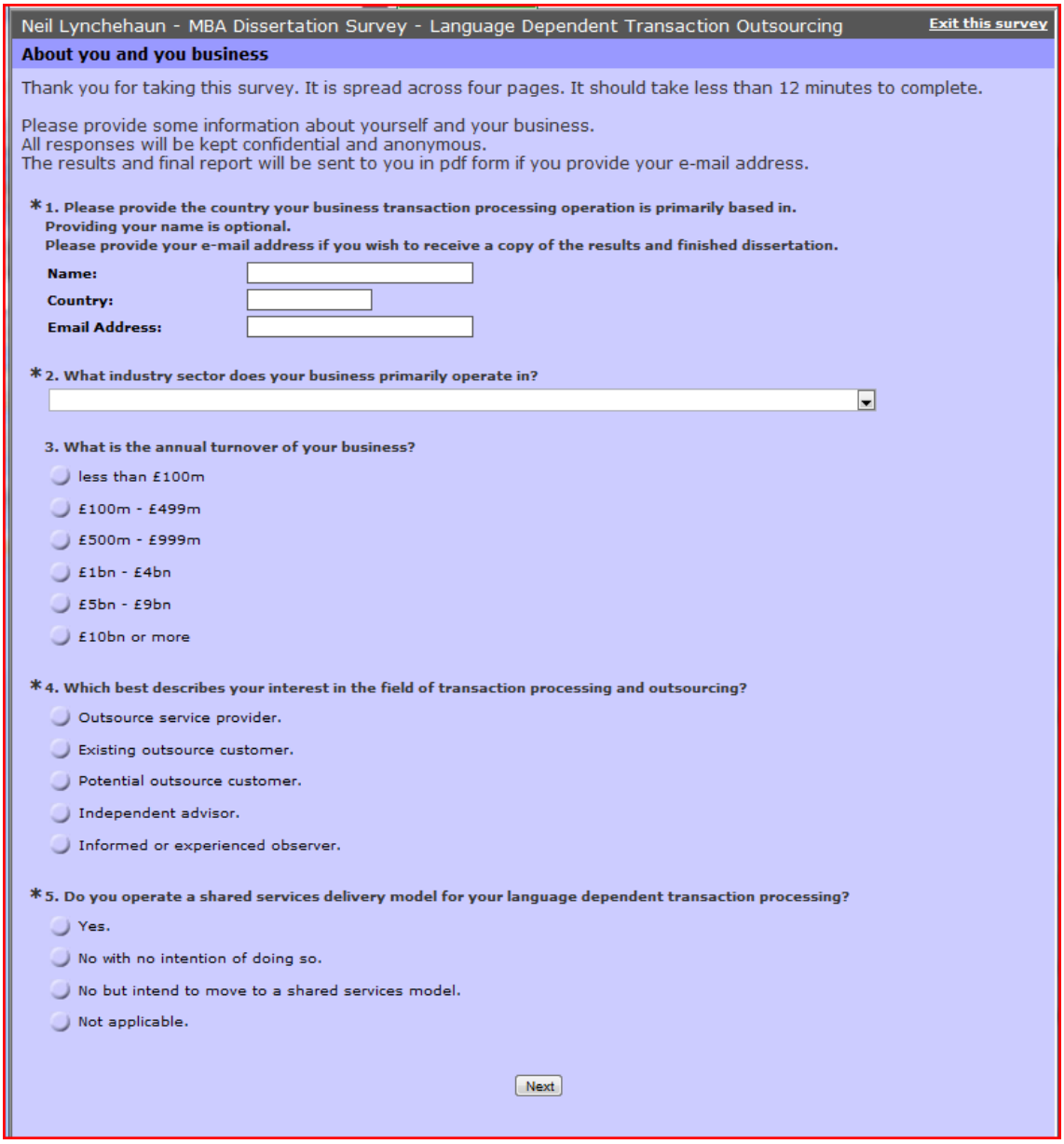
Appendix 5 European Economic Growth

Member States	GDP (PPS) 2008 millions of euro	GDP (PPP) per capita 2008 euro	Percentage of EU27 average GDP (PPP) per capita 2008	Real GDP Growth Rate 2005	2006	2007	2008	Inflation % annual 2008
European Union	12,508,251	25,100	100.0%	2	3.2	2.8	0.9	3.7
1 Germany €	2,387,194	29,100	115.8%	0.8	3.0	2.5	1.3	2.8
2 United Kingdom	1,800,711	29,500	117.5% (f)	2.2	2.9	2.6	0.7	3.6
3 France €	1,727,580	26,900	107.3%	1.9	2.2	2.3	0.4	3.2
4 Italy €	1,510,287	25,200	100.5%	0.7	2.0	1.6	-1.0	3.5
5 Spain €	1,189,416	26,100	103.9%	3.6	3.9	3.7	1.2	4.1
6 Netherlands €	555,454	33,800	134.6%	2.0	3.4	3.5	2.1	2.2
7 Poland	549,816	14,400	57.5%	3.6	6.2	6.6	5.0	4.2
8 Belgium €	305,592	28,800	114.6%	1.8	3.0	2.8	1.1	4.5
9 Sweden	280,945	30,500	121.4%	3.3	4.2	2.6	-0.2	3.3
10 Greece €	268,825	23,900	95.3% (f)	2.9	4.5	4.0	2.9	4.2
11 Austria €	257,855	30,900	123.1% (f)	2.5	3.5	3.5	2.0	3.2
12 Romania	247,142	11,500	45.8% (f)	4.2	7.9	6.2	7.1	7.9
13 Czech Republic	210,490	20,200	80.4%	6.3	6.8	6.1	3.0	6.3
14 Portugal €	200,908	18,900	75.3%	0.9	1.4	1.9	0.0	2.7
15 Denmark	163,121	29,700	118.3%	2.4	3.3	1.6	-1.2	3.6
16 Hungary	158,481	15,800	62.9%	3.9	4.0	1.2	0.6	6.0
17 Ireland €	155,447	35,000	139.5%	6.4	5.7	6.0	-2.3	3.1
18 Finland €	153,352	28,900	115.0%	2.8	4.9	4.2	1.0	3.9
19 Slovakia €	97,503	18,000	71.9% (e)	6.5	8.5	10.4	6.4	3.9
20 Bulgaria	77,170	10,100	40.1%	6.2	6.3	6.2	6.0	12.0
21 Lithuania	51,637	15,400	61.3%	7.8	7.8	8.9	3.0	11.1
22 Slovenia €	45,984	22,500	89.8%	4.3	5.9	6.8	3.5	5.5
23 Latvia	31,652	14,000	55.7%	10.6	12.2	10.0	-4.6	15.3
24 Luxembourg €	30,995	63,500	252.8%	5.2	6.4	5.2	-0.9	4.1
25 Estonia	22,626	16,900	67.2%	9.2	10.4	6.3	-3.6	10.6
26 Cyprus €	18,806	23,800	94.6%	3.9	4.1	4.4	3.7	4.4
27 Malta €	7,902	19,200	76.4%	4.0	3.3	4.2	2.5	4.7
			(e) - estimate, (f) - forecast					

European Economic Growth (European Commission, 2009b)

Appendix 6 On-Line Survey Layout

Page 1 – About you and your business


Neil Lynchehaun - MBA Dissertation Survey - Language Dependent Transaction Outsourcing

Exit this survey

About you and you business

Thank you for taking this survey. It is spread across four pages. It should take less than 12 minutes to complete.

Please provide some information about yourself and your business.
All responses will be kept confidential and anonymous.
The results and final report will be sent to you in pdf form if you provide your e-mail address.

*1. Please provide the country your business transaction processing operation is primarily based in.
Providing your name is optional.
Please provide your e-mail address if you wish to receive a copy of the results and finished dissertation.

Name:
Country:
Email Address:

*2. What industry sector does your business primarily operate in?

3. What is the annual turnover of your business?

- less than £100m
- £100m - £499m
- £500m - £999m
- £1bn - £4bn
- £5bn - £9bn
- £10bn or more

*4. Which best describes your interest in the field of transaction processing and outsourcing?

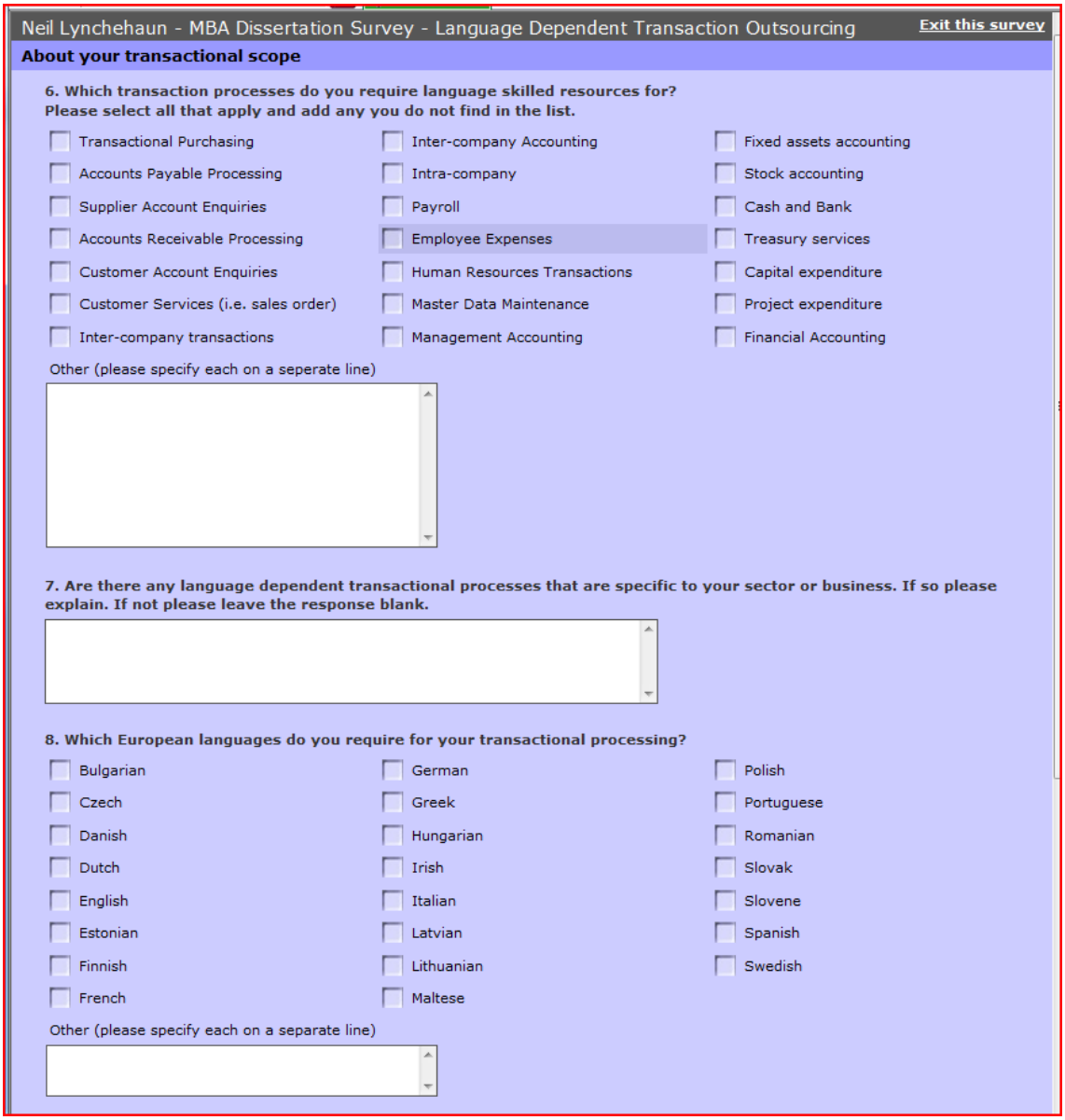
- Outsource service provider.
- Existing outsource customer.
- Potential outsource customer.
- Independent advisor.
- Informed or experienced observer.

*5. Do you operate a shared services delivery model for your language dependent transaction processing?

- Yes.
- No with no intention of doing so.
- No but intend to move to a shared services model.
- Not applicable.

Next

Page 2 (questions 6 – 8) – About your transactional scope



Neil Lynchehaun - MBA Dissertation Survey - Language Dependent Transaction Outsourcing

Exit this survey

About your transactional scope

6. Which transaction processes do you require language skilled resources for? Please select all that apply and add any you do not find in the list.

- ☐ Transactional Purchasing
- ☐ Accounts Payable Processing
- ☐ Supplier Account Enquiries
- ☐ Accounts Receivable Processing
- ☐ Customer Account Enquiries
- ☐ Customer Services (i.e. sales order)
- ☐ Inter-company transactions
- ☐ Inter-company Accounting
- ☐ Intra-company
- ☐ Payroll
- ☐ Employee Expenses
- ☐ Human Resources Transactions
- ☐ Master Data Maintenance
- ☐ Management Accounting
- ☐ Fixed assets accounting
- ☐ Stock accounting
- ☐ Cash and Bank
- ☐ Treasury services
- ☐ Capital expenditure
- ☐ Project expenditure
- ☐ Financial Accounting

Other (please specify each on a seperate line)

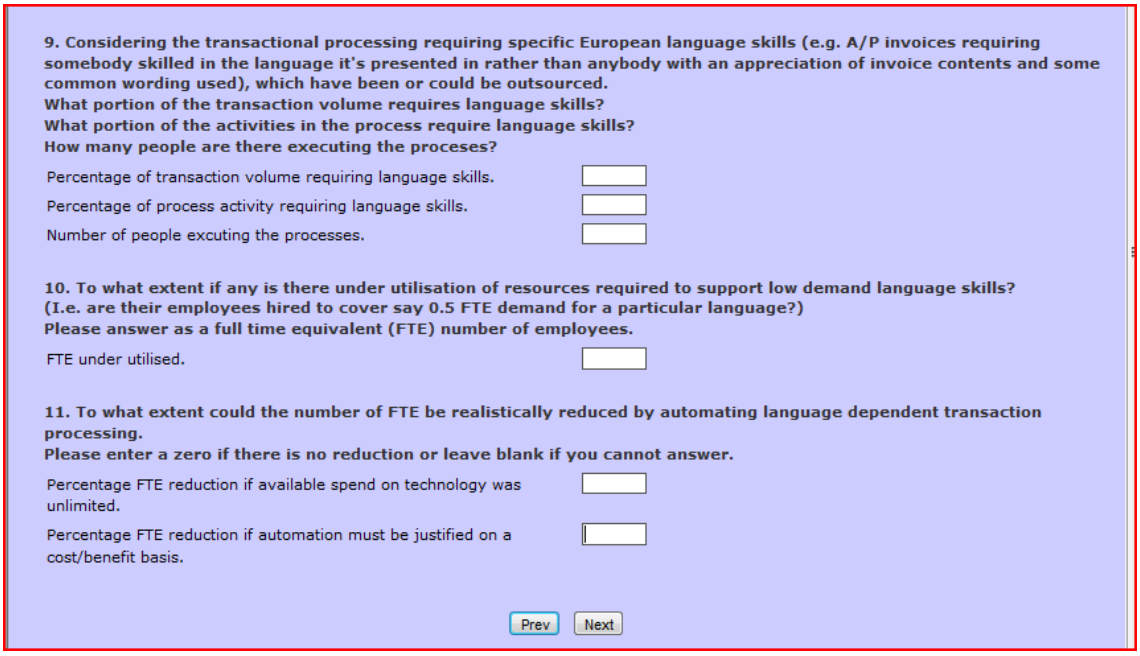
7. Are there any language dependent transactional processes that are specific to your sector or business. If so please explain. If not please leave the response blank.

8. Which European languages do you require for your transactional processing?

- ☐ Bulgarian
- ☐ Czech
- ☐ Danish
- ☐ Dutch
- ☐ English
- ☐ Estonian
- ☐ Finnish
- ☐ French
- ☐ German
- ☐ Greek
- ☐ Hungarian
- ☐ Irish
- ☐ Italian
- ☐ Latvian
- ☐ Lithuanian
- ☐ Maltese
- ☐ Polish
- ☐ Portuguese
- ☐ Romanian
- ☐ Slovak
- ☐ Slovene
- ☐ Spanish
- ☐ Swedish

Other (please specify each on a separate line)

Page 2 (questions 9 – 11) – About your transactional scope



9. Considering the transactional processing requiring specific European language skills (e.g. A/P invoices requiring somebody skilled in the language it's presented in rather than anybody with an appreciation of invoice contents and some common wording used), which have been or could be outsourced.
What portion of the transaction volume requires language skills?
What portion of the activities in the process require language skills?
How many people are there executing the proceses?

Percentage of transaction volume requiring language skills.

Percentage of process activity requiring language skills.

Number of people excuting the processes.

10. To what extent if any is there under utilisation of resources required to support low demand language skills? (I.e. are their employees hired to cover say 0.5 FTE demand for a particular language?)
Please answer as a full time equivalent (FTE) number of employees.

FTE under utilised.

11. To what extent could the number of FTE be realistically reduced by automating language dependent transaction processing.
Please enter a zero if there is no reduction or leave blank if you cannot answer.

Percentage FTE reduction if available spend on technology was unlimited.

Percentage FTE reduction if automation must be justified on a cost/benefit basis.

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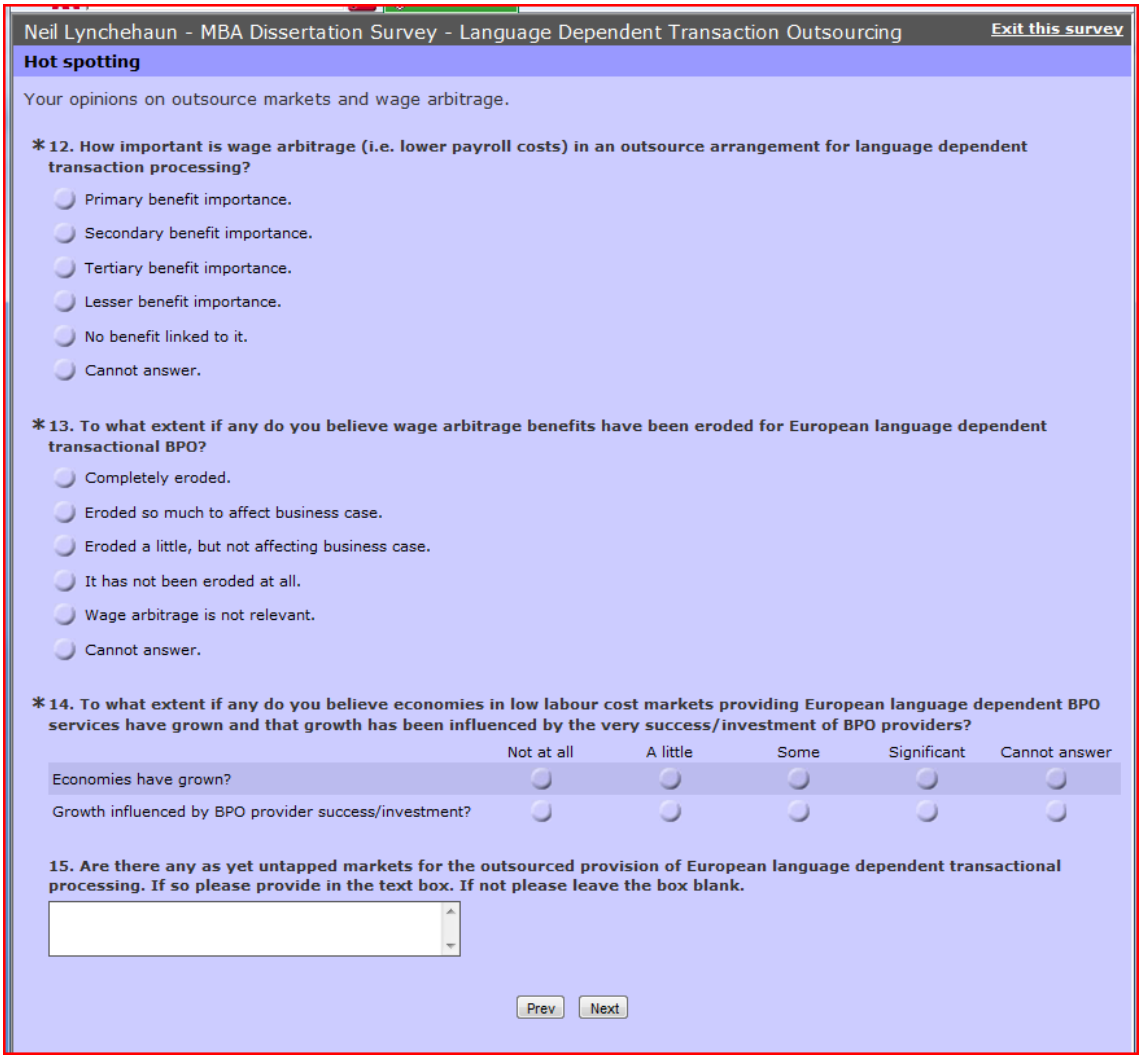
Page 3 – Hot spotting



Neil Lynchehaun - MBA Dissertation Survey - Language Dependent Transaction Outsourcing

Exit this survey

Hot spotting

Your opinions on outsource markets and wage arbitrage.

***12. How important is wage arbitrage (i.e. lower payroll costs) in an outsource arrangement for language dependent transaction processing?**

- Primary benefit importance.
- Secondary benefit importance.
- Tertiary benefit importance.
- Lesser benefit importance.
- No benefit linked to it.
- Cannot answer.

***13. To what extent if any do you believe wage arbitrage benefits have been eroded for European language dependent transactional BPO?**

- Completely eroded.
- Eroded so much to affect business case.
- Eroded a little, but not affecting business case.
- It has not been eroded at all.
- Wage arbitrage is not relevant.
- Cannot answer.

***14. To what extent if any do you believe economies in low labour cost markets providing European language dependent BPO services have grown and that growth has been influenced by the very success/investment of BPO providers?**

	Not at all	A little	Some	Significant	Cannot answer
Economies have grown?					
Growth influenced by BPO provider success/investment?					

15. Are there any as yet untapped markets for the outsourced provision of European language dependent transactional processing. If so please provide in the text box. If not please leave the box blank.

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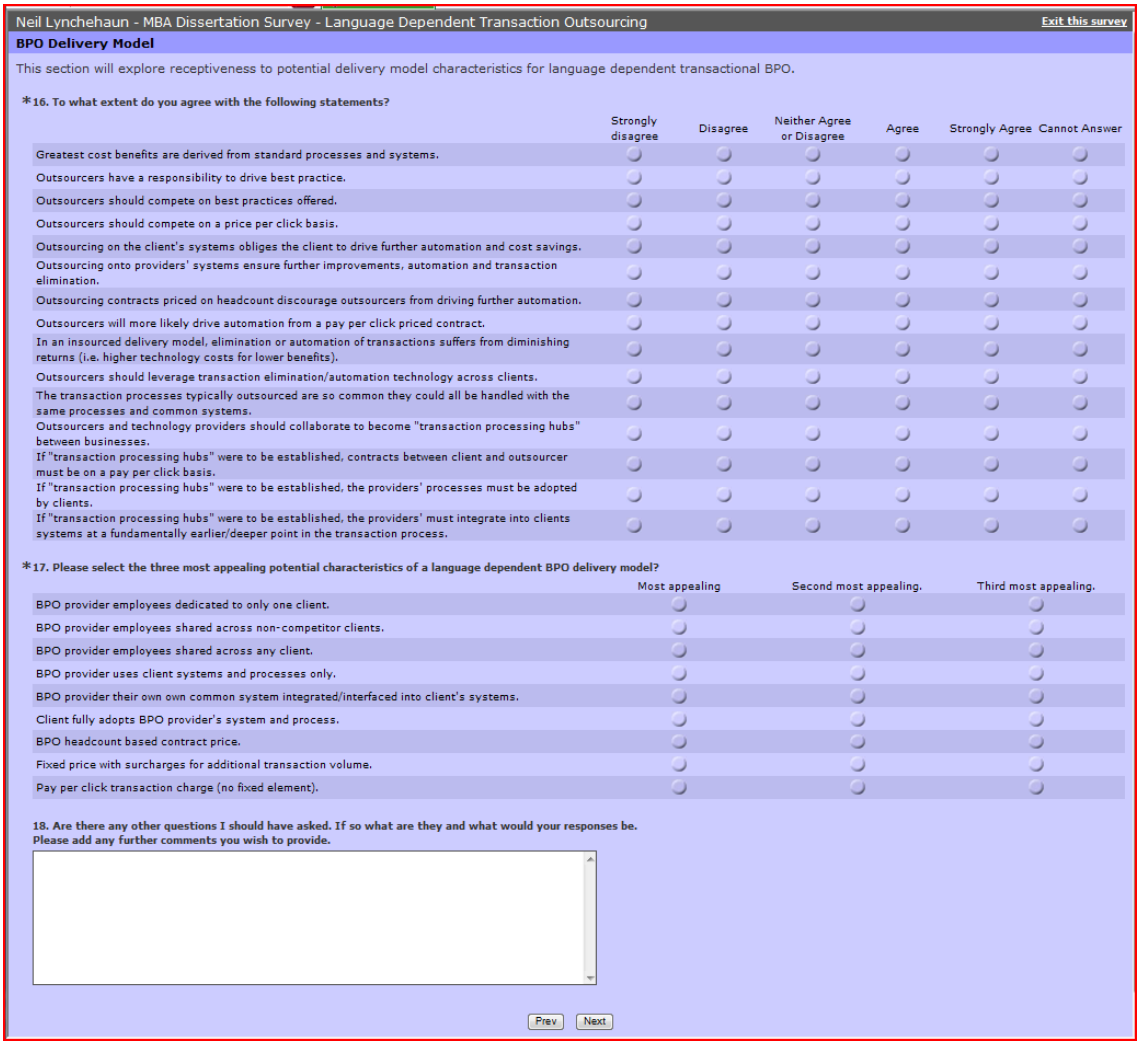
Page 4 – BPO Delivery Model



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Exit this survey

BPO Delivery Model

This section will explore receptiveness to potential delivery model characteristics for language dependent transactional BPO.

***16. To what extent do you agree with the following statements?**

	Strongly disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Cannot Answer
Greatest cost benefits are derived from standard processes and systems.						
Outsourcers have a responsibility to drive best practice.						
Outsourcers should compete on best practices offered.						
Outsourcers should compete on a price per click basis.						
Outsourcing on the client's systems obliges the client to drive further automation and cost savings.						
Outsourcing onto providers' systems ensure further improvements, automation and transaction elimination.						
Outsourcing contracts priced on headcount discourage outsourcers from driving further automation.						
Outsourcers will more likely drive automation from a pay per click priced contract.						
In an insourced delivery model, elimination or automation of transactions suffers from diminishing returns (i.e. higher technology costs for lower benefits).						
Outsourcers should leverage transaction elimination/automation technology across clients.						
The transaction processes typically outsourced are so common they could all be handled with the same processes and common systems.						
Outsourcers and technology providers should collaborate to become "transaction processing hubs" between businesses.						
If "transaction processing hubs" were to be established, contracts between client and outsourcer must be on a pay per click basis.						
If "transaction processing hubs" were to be established, the providers' processes must be adopted by clients.						
If "transaction processing hubs" were to be established, the providers' must integrate into clients systems at a fundamentally earlier/deeper point in the transaction process.						

***17. Please select the three most appealing potential characteristics of a language dependent BPO delivery model?**

	Most appealing	Second most appealing.	Third most appealing.
BPO provider employees dedicated to only one client.			
BPO provider employees shared across non-competitor clients.			
BPO provider employees shared across any client.			
BPO provider uses client systems and processes only.			
BPO provider their own own common system integrated/interfaced into client's systems.			
Client fully adopts BPO provider's system and process.			
BPO headcount based contract price.			
Fixed price with surcharges for additional transaction volume.			
Pay per click transaction charge (no fixed element).			

18. Are there any other questions I should have asked. If so what are they and what would your responses be. Please add any further comments you wish to provide.

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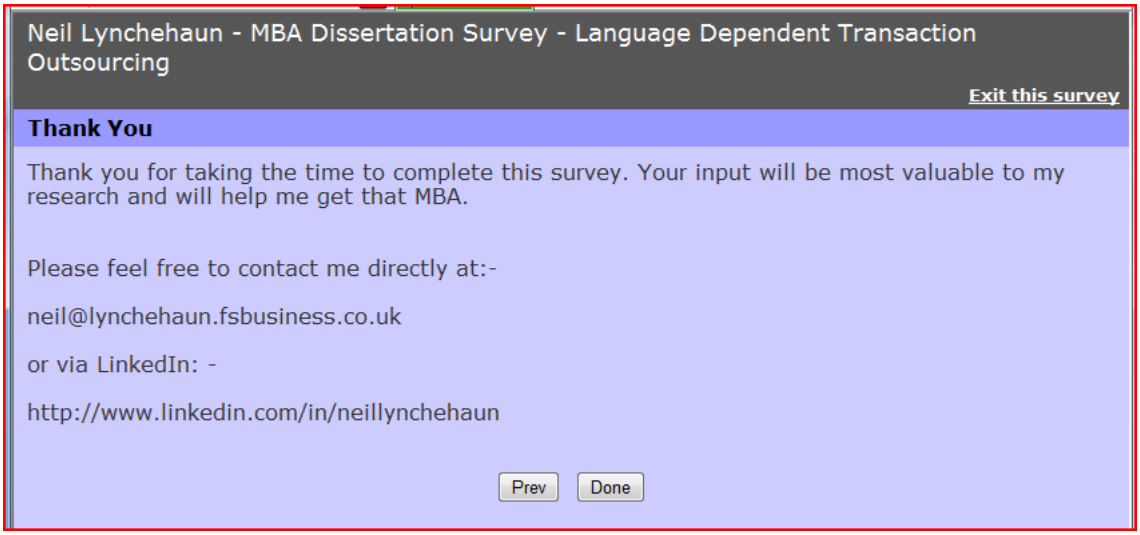
Thank you Page



Appendix 7 Summary Response to Survey Question 1

Neil Lynchehaun - MBA Dissertation Survey - Language Dependent Transaction Outsourcing

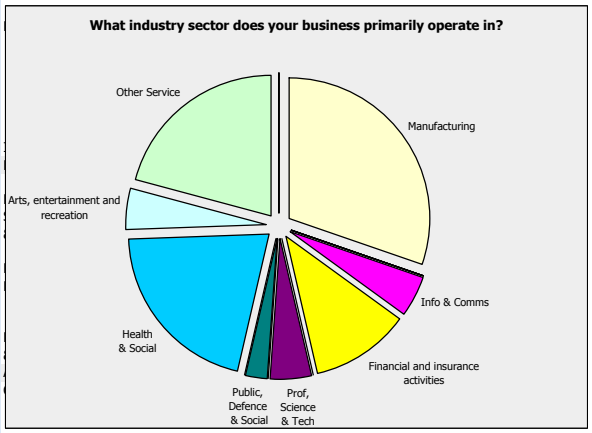
Please provide the country your business transaction processing operation is primarily based in. Providing your name is optional. Please provide your e-mail

Answer Options	Response Percent	Response Count
Name:	95.3%	41
Country:	100.0%	43
Email Address:	90.7%	39
answered question		43
skipped question		0

Number	Response Date	Name:	Country:	Email Address:
1	Jul 12, 2009 3:14 PM		USA	
2	Jul 12, 2009 6:32 PM		UK	
3	Jul 12, 2009 6:54 PM		UK	
4	Jul 12, 2009 8:22 PM		USA	
5	Jul 13, 2009 2:57 AM		USA	
6	Jul 13, 2009 8:10 AM		United Kingdom	
7	Jul 13, 2009 8:27 AM		UK	
8	Jul 13, 2009 8:48 AM		India	
9	Jul 13, 2009 8:58 AM		Phillipines	
10	Jul 13, 2009 9:00 AM		Philippines	
11	Jul 13, 2009 9:01 AM		Philippines	
12	Jul 13, 2009 9:39 AM		UK	
13	Jul 13, 2009 10:10 AM		UK	
14	Jul 13, 2009 10:58 AM		India	
15	Jul 13, 2009 12:45 PM		UK	
16	Jul 13, 2009 1:10 PM		US	
17	Jul 13, 2009 2:12 PM		USA	
18	Jul 13, 2009 3:50 PM		UK	
19	Jul 13, 2009 7:15 PM		United States	
20	Jul 14, 2009 8:54 AM		UK	
21	Jul 14, 2009 9:23 AM		United Kingdom	
22	Jul 14, 2009 10:48 AM		USA	
23	Jul 14, 2009 7:58 PM		USA	
24	Jul 15, 2009 6:04 AM		UK	
25	Jul 15, 2009 6:22 AM		uk	
26	Jul 15, 2009 1:01 PM		UK	
27	Jul 16, 2009 2:41 AM		Philippines	
28	Jul 16, 2009 3:37 PM		USA	
29	Jul 16, 2009 9:25 PM		USA	
30	Jul 17, 2009 3:22 PM		UK	
31	Jul 17, 2009 3:30 PM		United States	
32	Jul 17, 2009 3:32 PM		USA	
33	Jul 17, 2009 3:51 PM		UK	
34	Jul 17, 2009 4:18 PM		UK	
35	Jul 17, 2009 6:52 PM		UK/Philippines	
36	Jul 17, 2009 8:34 PM		UK	
37	Jul 19, 2009 11:56 AM		Australia	
38	Jul 19, 2009 8:47 PM		Belgium	
39	Jul 20, 2009 9:05 AM		India	
40	Jul 20, 2009 9:08 AM		Czech Republic	
41	Jul 20, 2009 9:17 AM		UK	
42	Jul 20, 2009 12:01 PM		UK	
43	Jul 20, 2009 9:16 PM		UK	

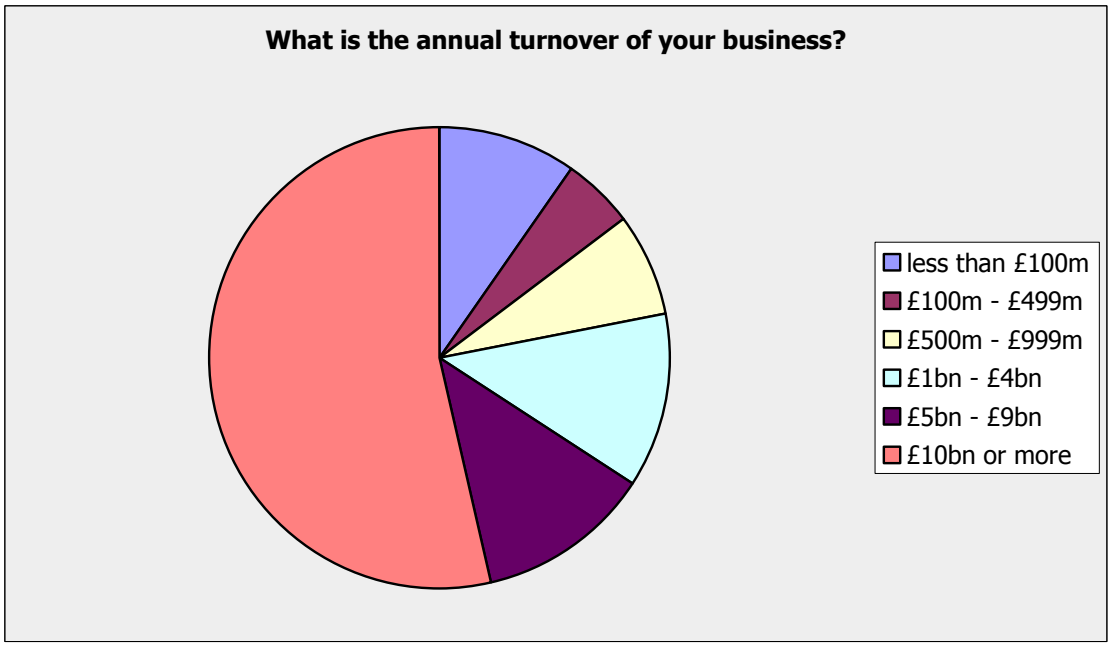
Appendix 8 Summary Response to Survey Question 2

What industry sector does your business primarily operate in?		
Answer Options	**Response Percent**	**Response Count**
Agriculture, forestry and fishing	0.0%	0
Mining and quarrying	0.0%	0
Manufacturing	30.2%	13
Electricity, gas, steam and air conditioning supply	0.0%	0
Water supply, sewerage, waste management and	0.0%	0
Construction	0.0%	0
Wholesale and retail trade; repair of motor vehicles and	0.0%	0
Accommodation and food service activities	0.0%	0
Transport and storage	0.0%	0
Information and communication	4.7%	2
Financial and insurance activities	11.6%	5
Real estate activities	0.0%	0
Professional, scientific and technical activities	4.7%	2
Administrative and support service activities	0.0%	0
Public administration and defence; compulsory social security	2.3%	1
Education	0.0%	0
Human health and social work activities	20.9%	9
Arts, entertainment and recreation	4.7%	2
Other service activities	20.9%	9
Activities of households as employers; undifferentiated	0.0%	0
Activities of extraterritorial organisations and bodies	0.0%	0
answered question		**43**
skipped question		**0**



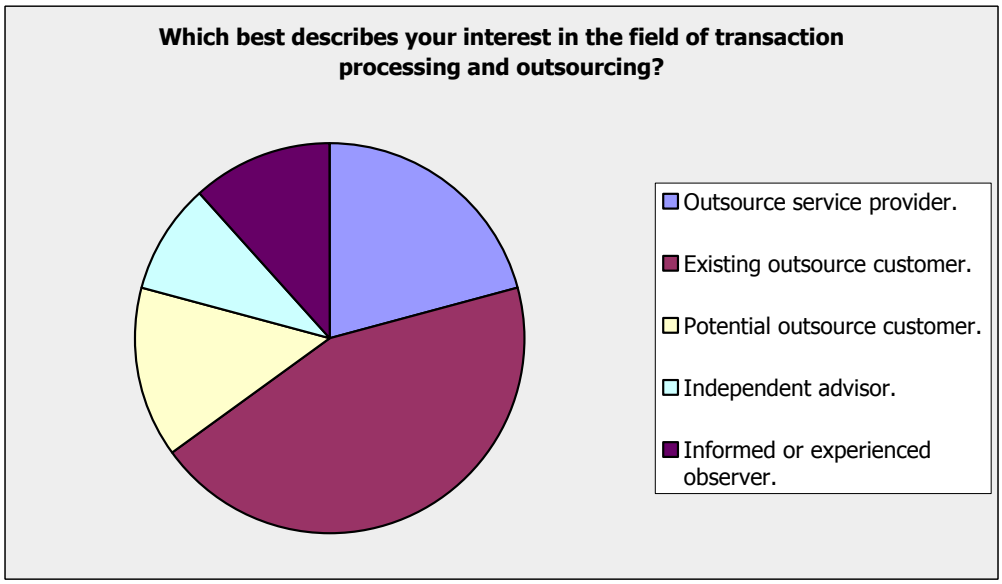
Appendix 9 Summary Response to Survey Question 3

What is the annual turnover of your business?		
Answer Options	**Response Percent**	**Response Count**
less than £100m	9.8%	4
£100m - £499m	4.9%	2
£500m - £999m	7.3%	3
£1bn - £4bn	12.2%	5
£5bn - £9bn	12.2%	5
£10bn or more	53.7%	22
answered question		**41**
skipped question		**2**



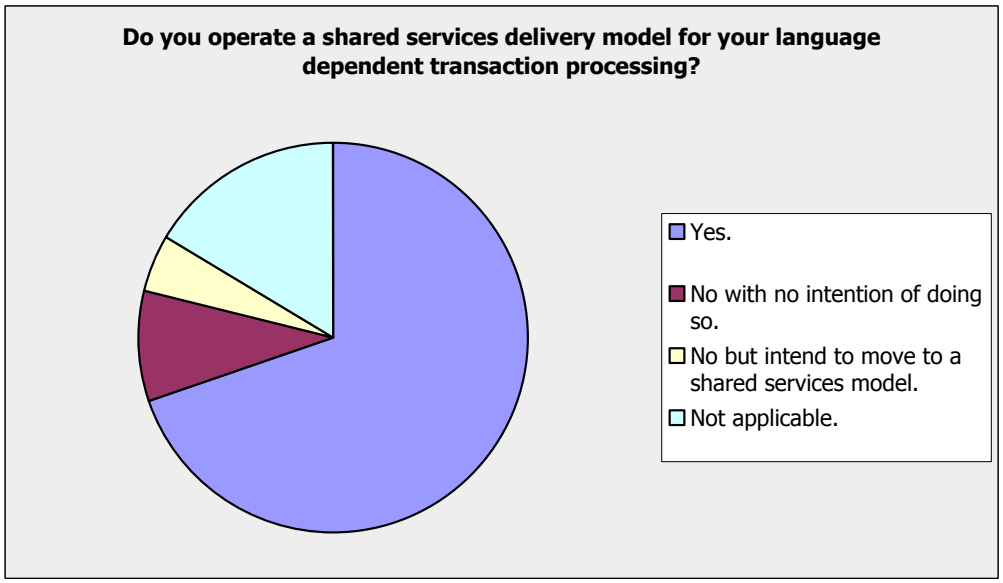
Appendix 10 Summary Response to Survey Question 4

Which best describes your interest in the field of transaction processing and outsourcing?		
Answer Options	**Response Percent**	**Response Count**
Outsource service provider.	20.9%	9
Existing outsource customer.	44.2%	19
Potential outsource customer.	14.0%	6
Independent advisor.	9.3%	4
Informed or experienced observer.	11.6%	5
answered question		**43**
skipped question		**0**



Appendix 11 Summary Response to Survey Question 5

Do you operate a shared services delivery model for your language dependent transaction processing?		
Answer Options	**Response Percent**	**Response Count**
Yes.	69.8%	30
No with no intention of doing so.	9.3%	4
No but intend to move to a shared services model.	4.7%	2
Not applicable.	16.3%	7
answered question		**43**
skipped question		**0**



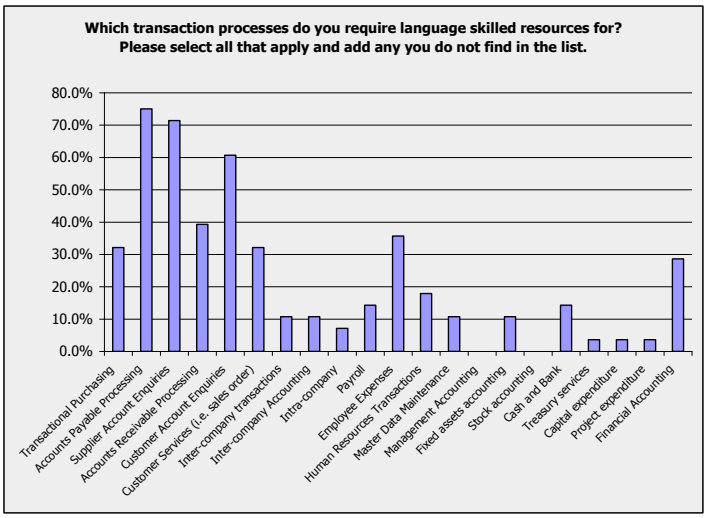
Appendix 12 Respondent Grouping of Role in BPO and Shared Services Strategy

Respondent Grouping of Role in BPO and Shared Services Strategy		
RespondentID	Which best describes your interest in the field of transaction processing and outsourcing?	Do you operate a shared services delivery model for your language dependent transaction processing?
831768518	Existing outsource customer.	Yes.
831368131	Existing outsource customer.	No but intend to move to a shared services model.
831324408	Existing outsource customer.	No with no intention of doing so.
831322336	Existing outsource customer.	Yes.
831321905	Outsource service provider.	Not applicable.
831171898	Outsource service provider.	No with no intention of doing so.
831061305	Existing outsource customer.	Yes.
830620488	Independent advisor.	Yes.
830558372	Outsource service provider.	Yes.
830461778	Informed or experienced observer.	Not applicable.
830443627	Informed or experienced observer.	Not applicable.
830429934	Informed or experienced observer.	Yes.
830428279	Existing outsource customer.	Yes.
830422567	Potential outsource customer.	Yes.
830046588	Existing outsource customer.	Yes.
829784429	Existing outsource customer.	No with no intention of doing so.
829503225	Outsource service provider.	Not applicable.
829000336	Independent advisor.	Yes.
828873853	Informed or experienced observer.	Yes.
828870023	Potential outsource customer.	Not applicable.
828622162	Existing outsource customer.	Yes.
828233179	Existing outsource customer.	Yes.
828211103	Potential outsource customer.	No but intend to move to a shared services model.
828204096	Independent advisor.	No with no intention of doing so.
827888415	Existing outsource customer.	Yes.
827737370	Potential outsource customer.	Yes.
827657939	Existing outsource customer.	Yes.
827614859	Existing outsource customer.	Yes.
827600107	Independent advisor.	Yes.
827560094	Outsource service provider.	Yes.
827547197	Outsource service provider.	Not applicable.
827539422	Potential outsource customer.	Yes.
827529300	Existing outsource customer.	Yes.
827529288	Existing outsource customer.	Yes.
827528789	Existing outsource customer.	Yes.
827526182	Outsource service provider.	Yes.
827520666	Existing outsource customer.	Yes.
827516267	Existing outsource customer.	Yes.
827456762	Outsource service provider.	Yes.
827368446	Outsource service provider.	Yes.
827349253	Existing outsource customer.	Yes.
827344192	Potential outsource customer.	Yes.
827300165	Informed or experienced observer.	Not applicable.

Appendix 13 Summary Response to Survey Question 6

Which transaction processes do you require language skilled resources for? Please select all that apply and add any you do not find in the list.		
Answer Options	**Response Percent**	**Response Count**
Transactional Purchasing	32.1%	9
Accounts Payable Processing	75.0%	21
Supplier Account Enquiries	71.4%	20
Accounts Receivable Processing	39.3%	11
Customer Account Enquiries	60.7%	17
Customer Services (i.e. sales order)	32.1%	9
Inter-company transactions	10.7%	3
Inter-company Accounting	10.7%	3
Intra-company	7.1%	2
Payroll	14.3%	4
Employee Expenses	35.7%	10
Human Resources Transactions	17.9%	5
Master Data Maintenance	10.7%	3
Management Accounting	0.0%	0
Fixed assets accounting	10.7%	3
Stock accounting	0.0%	0
Cash and Bank	14.3%	4
Treasury services	3.6%	1
Capital expenditure	3.6%	1
Project expenditure	3.6%	1
Financial Accounting	28.6%	8
Other (please specify each on a seperate line)		9
answered question		**28**
skipped question		**15**

Number	Response Date	Other (please specify each on a seperate line)
1	**Jul 12, 2009 3:16 PM**	None currently
2	**Jul 12, 2009 8:26 PM**	Any activities that interface with customers, suppliers, or internal organizations.
3	**Jul 13, 2009 8:51 AM**	Other services such as KPO (Knowledge Process Outsourcing) that have a strong language requirement.
4	**Jul 13, 2009 10:13 AM**	Recruitment
5	**Jul 13, 2009 11:02 AM**	Cash Collections - calling the customer
6	**Jul 14, 2009 9:24 AM**	Do not require Language skills for any process
7	**Jul 17, 2009 3:23 PM**	None all uk based
8	**Jul 17, 2009 3:54 PM**	As the inward investment agency we work with incoming investors whose transaction scope could cover all of these areas.
9	**Jul 20, 2009 12:03 PM**	Buying Business Travel



Appendix 14 Language Skills Required By Respondent Groupings

Transaction Processes Requiring Language Skills Detailed by Respondent Grouping (source: survey question 6)					
Role	Existing outsource customer	Potential outsource customer	Independent advisor	Informed or experienced observer	Outsource service provider
Transactional Purchasing	3	0	2	1	3
Accounts Payable Processing	12	2	2	1	4
Supplier Account Enquiries	11	2	3	1	3
Accounts Receivable Processing	3	2	2	1	3
Customer Account Enquiries	6	3	2	1	5
Customer Services	4	0	2	1	2
Inter-company transactions	2	0	1	0	0
Inter-company Accounting	2	0	0	0	1
Intra-company	1	0	1	0	0
Payroll	1	0	1	0	2
Employee Expenses	7	1	1	0	1
Human Resources Transactions	2	0	1	0	2
Master Data Maintenance	2	0	0	0	1
Management Accounting	0	0	0	0	0
Fixed assets accounting	2	0	0	0	1
Stock accounting	0	0	0	0	0
Cash and Bank	3	0	1	0	0
Treasury services	1	0	0	0	0
Capital expenditure	1	0	0	0	0
Project expenditure	1	0	0	0	0
Financial Accounting	5	0	0	0	3
Other	1	0	0	0	4

Note that verbatim responses to the “other” option of “none” or similar have been sanitised from the data presented in this table.

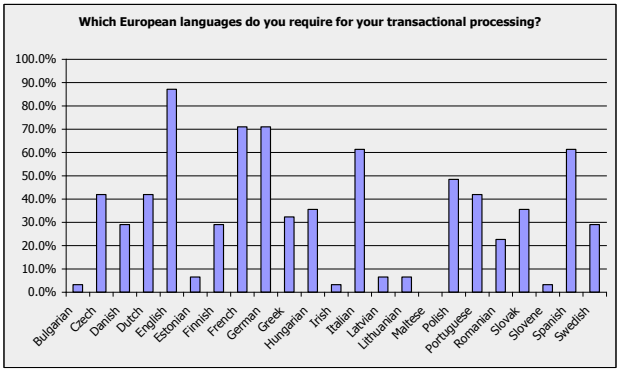
Appendix 15 Summary Response to Survey Question 7

Are there any language dependent transactional processes that are specific to your sector or business. If so please explain. If	
Answer Options	**Response Count**
	9
answered question	**9**
skipped question	**34**

Number	Response Date	Response Text
1	Jul 12, 2009 3:16 PM	None
2	Jul 13, 2009 8:51 AM	Other services such as KPO (Knowledge Process Outsourcing) that have a strong language requirement. These include - Research and Analytics Services.
3	Jul 13, 2009 9:05 AM	Particular emphasis on project accounting - large values for Advertising & promotion and R&D. Also specific legal (local GAAP) accounting activities
4	Jul 13, 2009 11:02 AM	Writing Contracts and Negotiating them. Sales/Commercial.
5	Jul 13, 2009 12:58 PM	Customer Services - Travel Industry
6	Jul 14, 2009 9:24 AM	No
7	Jul 17, 2009 3:23 PM	No
8	Jul 17, 2009 3:54 PM	We work closely with shared service centre and customer call centres so European languages with secondary skills are key
9	Jul 20, 2009 9:07 AM	Policy Review☐☐Policy Administration

Appendix 16 Summary Response to Survey Question 8

Which European languages do you require for your transactional processing?		
Answer Options	**Response Percent**	**Response Count**
Bulgarian	3.2%	1
Czech	41.9%	13
Danish	29.0%	9
Dutch	41.9%	13
English	87.1%	27
Estonian	6.5%	2
Finnish	29.0%	9
French	71.0%	22
German	71.0%	22
Greek	32.3%	10
Hungarian	35.5%	11
Irish	3.2%	1
Italian	61.3%	19
Latvian	6.5%	2
Lithuanian	6.5%	2
Maltese	0.0%	0
Polish	48.4%	15
Portuguese	41.9%	13
Romanian	22.6%	7
Slovak	35.5%	11
Slovene	3.2%	1
Spanish	61.3%	19
Swedish	29.0%	9
Other (please specify each on a separate line)		7
answered question		**31**
skipped question		**12**

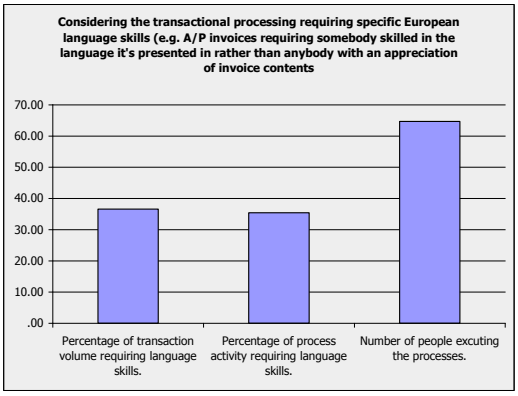


Number	Response Date	Other (please specify each on a separate line)
1	**Jul 12, 2009 3:16 PM**	None
2	**Jul 12, 2009 6:58 PM**	Russian
3	**Jul 12, 2009 8:26 PM**	I answered this as the most common languages that I have seen as a service provider
4	**Jul 13, 2009 9:05 AM**	Russian
5	**Jul 13, 2009 10:13 AM**	We need to have Welsh Language support available for customers
6	**Jul 17, 2009 3:54 PM**	All the above have been requested over the last year as companies look to Manchester as a possible location
7	**Jul 19, 2009 12:09 PM**	Chinese (Mandarin & Cantonese), Japanese, Thailand, Indonesian, Malay, Vietnamese

Appendix 17 Summary Response to Survey Question 9

Considering the transactional processing requiring specific European language skills (e.g. A/P invoices requiring somebody skilled in the language it's presented in rather than anybody			
Answer Options	**Response Average**	**Response Total**	**Response Count**
Percentage of transaction volume requiring language	36.60	915	25
Percentage of process activity requiring language skills.	35.40	885	25
Number of people excuting the processes.	64.70	1,294	20
		answered question	**25**
		skipped question	**18**

Number	Response Date	Percentage of transaction volume requiring language skills.	Percentage of process activity requiring language skills.	Number of people excuting the processes.
1	**Jul 12, 2009 3:16 PM**	0	0	0
2	**Jul 12, 2009 6:35 PM**	100	100	100
3	**Jul 12, 2009 6:58 PM**	100	50	45
4	**Jul 13, 2009 8:13 AM**	70	40	10
5	**Jul 13, 2009 8:32 AM**	50	35	70
6	**Jul 13, 2009 8:51 AM**	40	50	500
7	**Jul 13, 2009 9:05 AM**	35	35	
8	**Jul 13, 2009 9:12 AM**	45	40	18
9	**Jul 13, 2009 9:13 AM**	50	40	18
10	**Jul 13, 2009 9:42 AM**	10	10	12
11	**Jul 13, 2009 11:02 AM**	5	5	4
12	**Jul 13, 2009 12:58 PM**	80	80	100
13	**Jul 13, 2009 2:14 PM**	10	15	40
14	**Jul 13, 2009 3:55 PM**	20	30	10
15	**Jul 13, 2009 7:58 PM**	30	10	
16	**Jul 14, 2009 8:55 AM**	20	20	
17	**Jul 14, 2009 9:24 AM**	0	0	20
18	**Jul 15, 2009 6:05 AM**	0	0	
19	**Jul 16, 2009 2:43 AM**	30	20	
20	**Jul 17, 2009 6:58 PM**	15	100	45
21	**Jul 19, 2009 12:09 PM**	25	25	30
22	**Jul 19, 2009 8:49 PM**	20	20	16
23	**Jul 20, 2009 9:10 AM**	70	70	200
24	**Jul 20, 2009 12:03 PM**	60	60	6
25	**Jul 20, 2009 9:22 PM**	30	30	50



Appendix 18 Summary Response to Survey Question 10

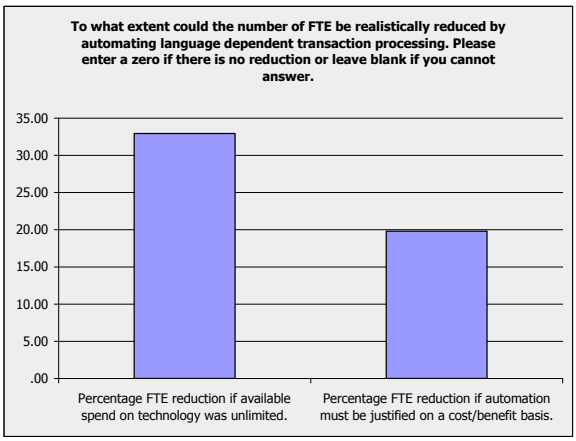
To what extent if any is there under utilisation of resources required to support low demand language skills? (I.e. are their employees hired to cover say 0.5 FTE demand for a particular			
Answer Options	**Response Average**	**Response Total**	**Response Count**
FTE under utilised.	4.07	57	14
		answered question	**14**
		skipped question	**29**

Number	Response Date	FTE under utilised.
1	**Jul 12, 2009 3:16 PM**	0
2	**Jul 12, 2009 6:35 PM**	0
3	**Jul 13, 2009 9:05 AM**	3
4	**Jul 13, 2009 9:13 AM**	2
5	**Jul 13, 2009 9:42 AM**	0
6	**Jul 13, 2009 11:02 AM**	0
7	**Jul 13, 2009 12:58 PM**	10
8	**Jul 13, 2009 3:55 PM**	2
9	**Jul 16, 2009 2:43 AM**	20
10	**Jul 17, 2009 6:58 PM**	6
11	**Jul 19, 2009 12:09 PM**	4
12	**Jul 19, 2009 8:49 PM**	0
13	**Jul 20, 2009 9:10 AM**	0
14	**Jul 20, 2009 9:22 PM**	10

Appendix 19 Summary Response to Survey Question 11

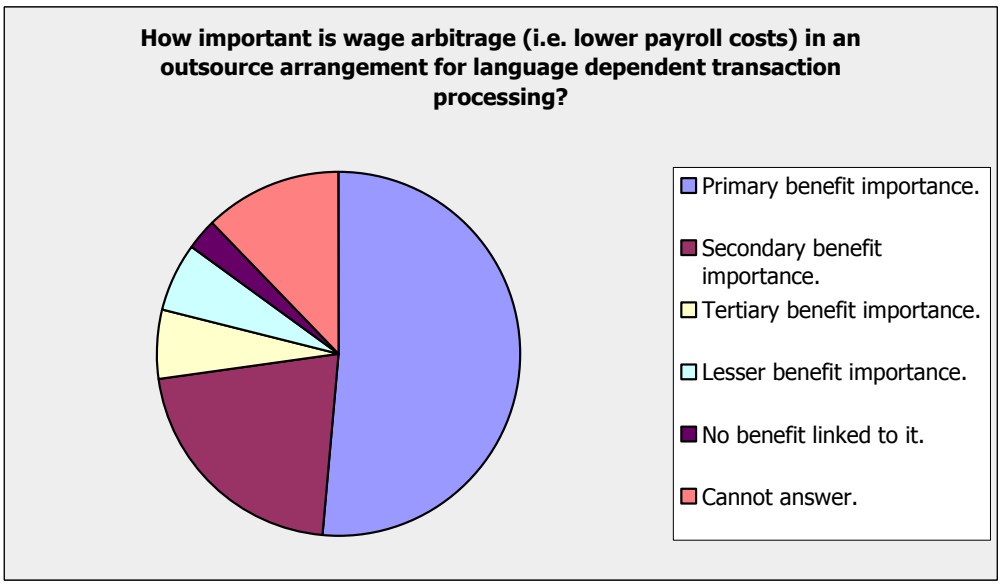
To what extent could the number of FTE be realistically reduced by automating language dependent transaction processing. Please enter a zero if there is no reduction or leave blank			
Answer Options	**Response Average**	**Response Total**	**Response Count**
Percentage FTE reduction if available spend on	32.93	461	14
Percentage FTE reduction if automation must be	19.79	277	14
		answered question	**15**
		skipped question	**28**

Number	Response Date	Percentage FTE reduction if available spend on technology was unlimited.	Percentage FTE reduction if automation must be justified on a cost/benefit basis.
1	**Jul 12, 2009 3:16 PM**	0	0
2	**Jul 12, 2009 6:35 PM**	0	0
3	**Jul 12, 2009 6:58 PM**	60	60
4	**Jul 13, 2009 8:51 AM**	10	10
5	**Jul 13, 2009 9:05 AM**	50	0
6	**Jul 13, 2009 9:42 AM**	6	2
7	**Jul 13, 2009 11:02 AM**	95	95
8	**Jul 13, 2009 12:58 PM**	10	5
9	**Jul 13, 2009 2:14 PM**		15
10	**Jul 13, 2009 3:55 PM**	20	20
11	**Jul 13, 2009 7:58 PM**	80	50
12	**Jul 17, 2009 6:58 PM**	100	
13	**Jul 19, 2009 12:09 PM**	20	10
14	**Jul 19, 2009 8:49 PM**	0	0
15	**Jul 20, 2009 9:22 PM**	10	10



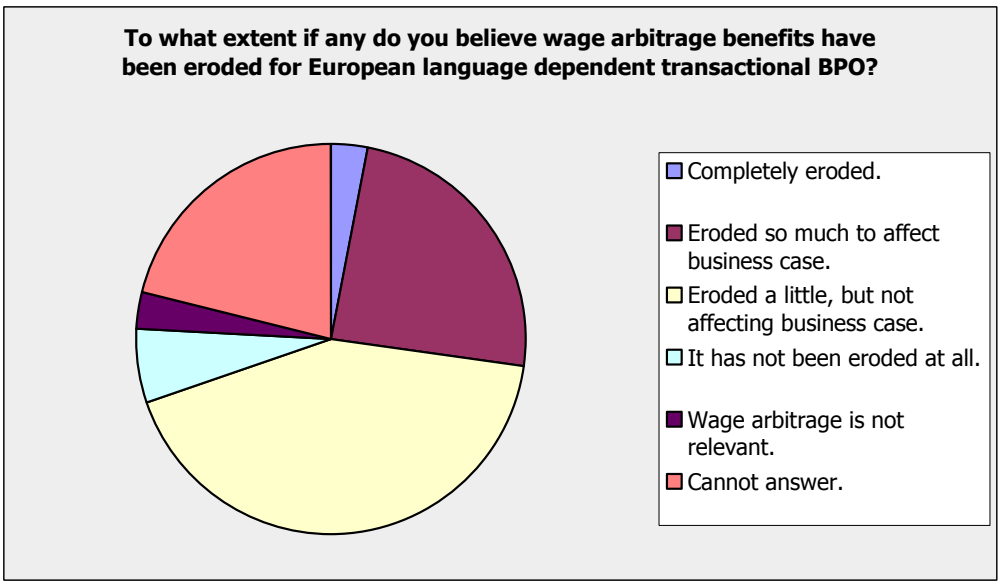
Appendix 20 Summary Response to Survey Question 12

How important is wage arbitrage (i.e. lower payroll costs) in an outsource arrangement for language dependent transaction processing?		
Answer Options	**Response Percent**	**Response Count**
Primary benefit importance.	51.5%	17
Secondary benefit importance.	21.2%	7
Tertiary benefit importance.	6.1%	2
Lesser benefit importance.	6.1%	2
No benefit linked to it.	3.0%	1
Cannot answer.	12.1%	4
answered question		**33**
skipped question		**10**



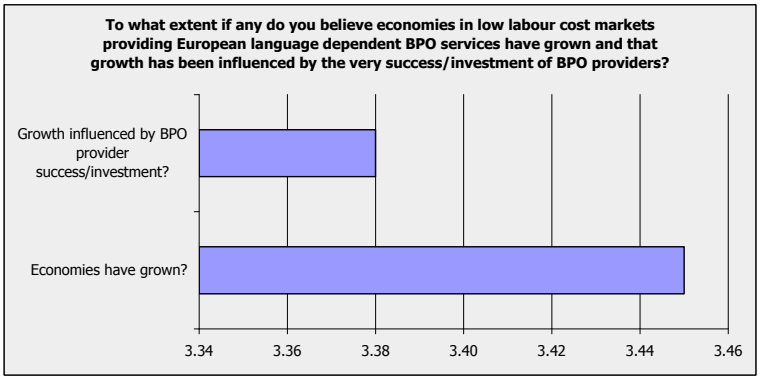
Appendix 21 Summary Response to Survey Question 13

To what extent if any do you believe wage arbitrage benefits have been eroded for European language dependent transactional BPO?		
Answer Options	**Response Percent**	**Response Count**
Completely eroded.	3.0%	1
Eroded so much to affect business case.	24.2%	8
Eroded a little, but not affecting business case.	42.4%	14
It has not been eroded at all.	6.1%	2
Wage arbitrage is not relevant.	3.0%	1
Cannot answer.	21.2%	7
answered question		**33**
skipped question		**10**



Appendix 22 Summary Response to Survey Question 14

To what extent if any do you believe economies in low labour cost markets providing European language dependent BPO services have grown and that growth has been influenced by the very success/investment of BPO providers?							
Answer Options	**Not at all**	**A little**	**Some**	**Significant**	**Cannot answer**	**Rating Average**	**Response Count**
Economies have grown?	0	1	14	14	4	3.45	33
Growth influenced by BPO provider success/investment?	1	2	11	15	4	3.38	33
						answered question	**33**
						skipped question	**10**



Appendix 23 Summary Response to Survey Question 15

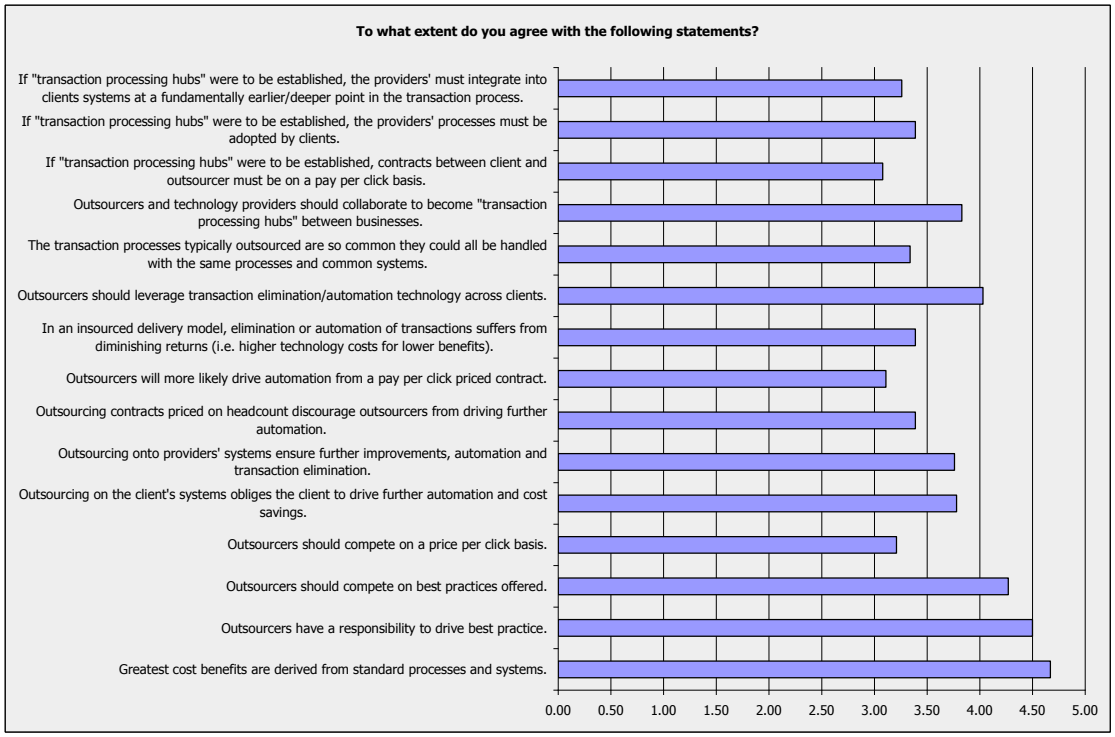
Are there any as yet untapped markets for the outsourced provision of European language dependent transactional	
Answer Options	**Response Count**
	5
answered question	**5**
skipped question	**38**

Number	Response Date	Response Text
1	Jul 12, 2009 8:28 PM	I'm sure there are but uncertain as to where they are.
2	Jul 13, 2009 8:52 AM	African locations
3	Jul 17, 2009 7:03 PM	Canary Islands, Greek Islands, Spanish Islands, Southern Italy, Northern France,
4	Jul 19, 2009 12:12 PM	Multinationals are looking for global centres that cover more than Eurpean languages in low cost centres in particular Asian languages
5	Jul 20, 2009 9:24 PM	bulgaria

Appendix 24 Summary Response to Survey Question 16

To what extent do you agree with the following statements?

Answer Options	Strongly disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Cannot Answer	Rating Average	Response Count
Greatest cost benefits are derived from standard	0	0	0	10	20	0	4.67	30
Outsourcers have a responsibility to drive best practice.	0	0	4	7	19	0	4.50	30
Outsourcers should compete on best practices offered.	0	1	3	13	13	0	4.27	30
Outsourcers should compete on a price per click basis.	1	7	9	7	4	2	3.21	30
Outsourcing on the client's systems obliges the client to	0	3	4	16	4	3	3.78	30
Outsourcing onto providers' systems ensure further	0	4	5	9	7	5	3.76	30
Outsourcing contracts priced on headcount discourage	1	6	3	17	1	2	3.39	30
Outsourcers will more likely drive automation from a	0	6	15	5	2	2	3.11	30
In an insourced delivery model, elimination or	0	7	7	10	4	2	3.39	30
Outsourcers should leverage transaction	0	0	5	19	6	0	4.03	30
The transaction processes typically outsourced are so	1	8	4	12	4	1	3.34	30
Outsourcers and technology providers should	0	2	4	20	3	1	3.83	30
If "transaction processing hubs" were to be established,	1	7	7	11	0	4	3.08	30
If "transaction processing hubs" were to be established,	1	6	5	13	3	2	3.39	30
If "transaction processing hubs" were to be established,	1	4	11	9	2	3	3.26	30
							answered question	**30**
							skipped question	**13**



Appendix 25 Summary Response to Survey Question 17

Please select the three most appealing potential characteristics of a language dependent BPO delivery model?					
Answer Options	**Most appealing**	**Second most appealing.**	**Third most appealing.**	**Rating Average**	**Response Count**
BPO provider employees dedicated to only one client.	9	2	5	2.25	16
BPO provider employees shared across non-competitor	3	9	4	1.94	16
BPO provider employees shared across any client.	2	0	1	2.33	3
BPO provider uses client systems and processes only.	3	2	2	2.14	7
BPO provider their own own common system	2	5	2	2.00	9
Client fully adopts BPO provider's system and process.	3	3	1	2.29	7
BPO headcount based contract price.	2	0	3	1.80	5
Fixed price with surcharges for additional transaction	2	5	6	1.69	13
Pay per click transaction charge (no fixed element).	4	4	6	1.86	14
				answered question	**30**
				skipped question	**13**

Appendix 26 Summary Response to Survey Question 18

Are there any other questions I should have asked. If so what are they and what would your responses be. Please add any	
Answer Options	**Response Count**
	9
answered question	**9**
skipped question	**34**

Number	Response Date	Response Text
1	Jul 12, 2009 3:31 PM	Questions regarding how the success of an outsourced agreement will be tracked and measured. Also, the issue of BPO provider employee turnover. In my experience both have been major issues in outsourced situations and neither have been successfully addressed.
2	Jul 13, 2009 8:39 AM	You may want to query the level of outsourcing for the language dependent tasks. This may cover basic language by the BPO provider x a more indepth one by the cliend.☐ Also if the client sees the language dependancy important enough to pay a higher premium to keep those services off shore but within the EU for instance.
3	Jul 13, 2009 9:24 AM	Not sure why it matters how many FTE's are performing the process transactions if you haven't asked for the number of transactions being processed as it may not be proportionate.
4	Jul 13, 2009 9:24 AM	Question 9 nbr of FTE entered (18) is based on nbr of FTE's required for language dependant activities. I was unable to answer question 11.
5	Jul 13, 2009 1:09 PM	Outsourced profits are generally short term. Wage arbitrage and language issues will impact these profits in the longer term.
6	Jul 13, 2009 5:03 PM	Gainshare mechanisms in contracts. I struggled to answer the pricing elements as I would feel that this would the make largely irrelevant the question about headcount/pay per click etc based contracts?
7	Jul 14, 2009 11:05 AM	All the Best Neil!
8	Jul 17, 2009 7:10 PM	Implementing activity based management and price on unit basis. Would be my most appealing
9	Jul 19, 2009 12:22 PM	The change in from fixed o/head to variable o/head is becomming more critical & allows greater flexibility☐ Having contracts with broad bands +/- to operate in are also important☐ The notion of co sourcing also has some appeal